

CITY OF DESERT HOT SPRINGS

FINANCIAL STATEMENTS

Year Ended June 30, 2011

City of Desert Hot Springs
Financial Statements
Year Ended June 30, 2011

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Independent Auditors' Report

The Honorable City Council
City of Desert Hot Springs, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, as of and for the year June 30, 2011, which collectively comprise the City of Desert Hot Springs' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Desert Hot Springs' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, there have been recent changes in legislation affecting redevelopment agencies in the State of California which requires the dissolution of redevelopment agencies as of February 1, 2012, including the Redevelopment Agency of the City of Desert Hot Springs.

As described in Note 13 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2012 on our consideration of the City of Desert Hot Springs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Budget and Actual Comparisons on pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation the financial statements as a whole.

Teaman Ramirez & Smith, Llc.

February 1, 2012

BASIC FINANCIAL STATEMENTS

City of Desert Hot Springs
Statement of Net Assets
June 30, 2011

	Governmental Activities
ASSETS	
Cash and Investments	\$ 18,902,957
Receivables:	
Accounts	1,261,805
Interest	11,286
Notes, Net	3,614,486
Prepaid Costs	25,337
Due From Other Governments	2,308,324
Deferred Cost of Issuance	1,085,815
Property Held for Resale	3,174,894
Cash and Investments - Restricted	7,668,586
Capital Assets, Not Being Depreciated:	
Land	1,360,742
Construction in Progress	3,886,209
Capital Assets, Net of Accumulated Depreciation:	
Property and Equipment	4,772,000
Buildings and Improvements	12,163,243
Infrastructure	24,045,823
	84,281,507
Total Assets	84,281,507
LIABILITIES	
Accounts Payable	2,086,316
Accrued Liabilities	902,689
Interest Payable	1,097,507
Deposits Payable	285,077
Unearned Revenue	6,088
Claims Payable	1,213,847
Noncurrent Liabilities:	
Due Within One Year	972,271
Due in More Than One Year	59,013,178
	65,576,973
Total Liabilities	65,576,973
NET ASSETS	
Invested in Capital Assets	46,228,017
Restricted for:	
Community Development	16,577,411
Parks and Recreation	120,625
Public Works/Street Maintenance	356,267
Public Safety	13,245
Debt Service	4,407,516
Unrestricted	(48,998,547)
	(48,998,547)
Total Net Assets	\$ 18,704,534

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Activities
Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
					Governmental Activities
Governmental Activities:					
General Government	\$ 3,066,129	\$ 237,843	\$ 61,717	\$	\$ (2,766,569)
Public Safety	11,323,100	1,685,332	620,907		(9,016,861)
Public Works	3,101,360	1,464	971,602	809,738	(1,318,556)
Economic Development	8,608,126	1,730,046	868,430		(6,009,650)
Culture and Leisure	474,317	203,769			(270,548)
Interest on Long-Term Debt	3,352,228				(3,352,228)
Total Governmental Activities	\$ 29,925,260	\$ 3,858,454	\$ 2,522,656	\$ 809,738	(22,734,412)

General Revenues:

Taxes:

Property Taxes	1,595,346
Property Taxes, Redevelopment Agency	
Tax Increment	4,962,211
Transient Occupancy Taxes	1,088,413
Franchise Taxes	1,113,957
Sales Tax	4,767,845
Motor Vehicle In-Lieu	140,066
Utility User Taxes	2,533,277
Investment Income	57,678
Miscellaneous	525,009
Gain on Sale of Capital Assets	15,000

Total General Revenues 16,798,802

Change in Net Assets (5,935,610)

Net Assets - Beginning of Year 25,454,531

Prior Period Adjustment (814,387)

Net Assets - End of Year \$ 18,704,534

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Balance Sheet
Governmental Funds
June 30, 2011

	General	Special Revenue	
		Community Safety	RDA Low Income Housing
ASSETS			
Cash and Investments	\$ 4,908,221	\$ 263,893	\$ 3,327,426
Restricted Cash and Investments with Fiscal Agent			1
Notes Receivable			3,486,203
Accounts Receivable	677,558	293,574	150,976
Interest Receivable	3,788		967
Prepaid Items	25,337		
Due From Other Funds	119,348		
Due From Other Governments	291,757	652,666	8,612
Advance to Other Funds			3,442,921
Property Held for Resale			1,272,364
Total Assets	\$ 6,026,009	\$ 1,210,133	\$ 11,689,470
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 679,586	\$ 768,946	\$ 271,666
Accrued Liabilities	54,562	170,819	2,267
Deposits	56,643		
Due to Other Funds			
Advance From Other Funds			
Deferred Revenue	83,447	270,368	3,486,203
Total Liabilities	874,238	1,210,133	3,760,136
Fund Balances:			
Nonspendable	25,337		
Restricted			7,929,334
Assigned			
Unassigned	5,126,434		
Total Fund Balances	5,151,771	-	7,929,334
Total Liabilities and Fund Balances	\$ 6,026,009	\$ 1,210,133	\$ 11,689,470

The accompanying notes are an integral part of this statement.

RDA Debt Service	Capital Projects		Non-Major Funds	Total Governmental Funds
	RDA Capital Projects	Capital Improvement Program		
\$ 605,994	\$ 674,924	\$ 4,443,590	\$ 3,921,347	\$ 18,145,395
3,398,417	4,000,000		270,168	7,668,586
	148,016		730,267	4,364,486
	45		139,652	1,261,805
1,738	434	800	3,163	10,890
				25,337
	17,630			136,978
34,447		490,000	830,842	2,308,324
				3,442,921
	1,902,530			3,174,894
<u>\$ 4,040,596</u>	<u>\$ 6,743,579</u>	<u>\$ 4,934,390</u>	<u>\$ 5,895,439</u>	<u>\$ 40,539,616</u>
\$ 654,037	\$ 98,646	\$ 58,540	\$ 202,912	\$ 2,080,296
	8,717		12,287	902,689
	9,946	218,488		285,077
			136,978	136,978
3,442,921				3,442,921
	148,016	200,000	1,127,527	5,315,561
<u>4,096,958</u>	<u>265,325</u>	<u>477,028</u>	<u>1,479,704</u>	<u>12,163,522</u>
				25,337
3,398,417	6,478,254		3,669,059	21,475,064
		4,457,362	747,691	5,205,053
(3,454,779)			(1,015)	1,670,640
<u>(56,362)</u>	<u>6,478,254</u>	<u>4,457,362</u>	<u>4,415,735</u>	<u>28,376,094</u>
<u>\$ 4,040,596</u>	<u>\$ 6,743,579</u>	<u>\$ 4,934,390</u>	<u>\$ 5,895,439</u>	<u>\$ 40,539,616</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Fund balances of governmental funds		\$ 28,376,094
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Revenue is deferred in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-wide Statements and therefore, the revenue is not deferred.		4,559,473
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		45,468,617
Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds.		(1,097,507)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds.		
Compensated Absences		(1,321,546)
California HFA Loan		(730,267)
Bonds and Certificates Payable		(56,375,000)
Discounts on Bonds and Certificates Payable		1,162,357
Premium on Bonds		(85,811)
Pension Related Debt		(2,635,182)
Issuance costs net of accumulated amortization were reported as expenditures in the governmental funds.		1,085,815
Internal services funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the statement of net assets.		<u>297,491</u>
Net assets of governmental activities		<u>\$ 18,704,534</u>

The accompanying notes are an integral part of this statement.

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City of Desert Hot Springs
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	Special Revenue		
	General	Community Safety	RDA Low Income Housing
REVENUES			
Taxes	\$ 5,642,350	\$ 3,727,758	\$ 992,442
Permits and Fees	1,116,332	1,534,820	
Intergovernmental	140,066	411,899	501,817
Licenses		24,264	
Interest	51,664		8,866
Miscellaneous	256,599	69,179	
Total Revenues	7,207,011	5,767,920	1,503,125
EXPENDITURES			
Current:			
General Government	441,811		
Public Safety	3,872,392	6,866,259	
Public Works	386,853		
Economic Development	878,795		2,770,803
Culture and Leisure	365,419		
Capital Outlay		20,084	9,950
Debt Service:			
Principal			35,000
Interest			377,749
Pass-Through Agreements			
Total Expenditures	5,945,270	6,886,343	3,193,502
Excess (Deficiency) of Revenues over Expenditures	1,261,741	(1,118,423)	(1,690,377)
OTHER FINANCING SOURCES (USES)			
Transfers In	100,000	1,213,296	267,669
Transfers Out	(1,313,296)	(140,000)	
Total Other Financing Sources (Uses)	(1,213,296)	1,073,296	267,669
Net Change in Fund Balances	48,445	(45,127)	(1,422,708)
Fund Balances (Deficit), Beginning of Year	5,103,326	45,127	9,352,042
Fund Balances (Deficit), End of Year	<u>\$ 5,151,771</u>	<u>\$ -</u>	<u>\$ 7,929,334</u>

The accompanying notes are an integral part of this statement.

RDA Debt Service	Capital Projects			Total Governmental Funds
	RDA Capital Projects	Capital Improvement Program	Non-Major Funds	
\$ 3,969,769	\$	\$	\$ 1,966,731	\$ 16,299,050
			685,530	3,336,682
			1,631,479	2,685,261
		144,734		168,998
208,789	6,493		21,042	296,854
277,008	135,204		115,506	853,496
<u>4,455,566</u>	<u>141,697</u>	<u>144,734</u>	<u>4,420,288</u>	<u>23,640,341</u>
			26,639	468,450
			328,804	11,067,455
			1,997,711	2,384,564
788,819	2,637,929		79,879	7,156,225
			108,898	474,317
	1,181,930	2,408,148	716,017	4,336,129
2,105,000			145,000	2,285,000
2,360,191			596,550	3,334,490
975,846				975,846
<u>6,229,856</u>	<u>3,819,859</u>	<u>2,408,148</u>	<u>3,999,498</u>	<u>32,482,476</u>
<u>(1,774,290)</u>	<u>(3,678,162)</u>	<u>(2,263,414)</u>	<u>420,790</u>	<u>(8,842,135)</u>
955,355	10,006,581	6,529,944	100,000	19,172,845
(10,006,581)	(6,372,955)		(1,506,726)	(19,339,558)
<u>(9,051,226)</u>	<u>3,633,626</u>	<u>6,529,944</u>	<u>(1,406,726)</u>	<u>(166,713)</u>
(10,825,516)	(44,536)	4,266,530	(985,936)	(9,008,848)
<u>10,769,154</u>	<u>6,522,790</u>	<u>190,832</u>	<u>5,401,671</u>	<u>37,384,942</u>
<u>\$ (56,362)</u>	<u>\$ 6,478,254</u>	<u>\$ 4,457,362</u>	<u>\$ 4,415,735</u>	<u>\$ 28,376,094</u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (9,008,848)

Amounts reported for governmental activities in the Statement of Activities are different because:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in deferred revenue for the current period. 270,024

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Capital Outlay	3,974,956
Depreciation Expense	(2,276,445)

Governmental funds report only proceeds from the sale of capital assets. The statement of activities reports a gain or loss on disposal based on the net book value at the time of disposal. Disposal activity included the following:

Costs of Assets Disposed	-
Accumulated Depreciation on Disposed Assets	-

Interest expenditures are recognized when paid in the governmental funds. Interest expense is recognized when incurred in the Government-wide Statement of Activities. This amount represents the difference between interest paid and interest incurred. 67,442

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Premium on Tax Allocation Bonds	4,221
Amortization of Discounts	(48,080)
Amortization of Issuance Costs	(52,192)
Principal Paid on Certificates of Participation	145,000
Principal Paid on Tax Allocation Bonds	2,140,000
Decrease in Pension-related Debt	36,524
Decrease in California HFA Loan	-

Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following amount represents the net change in compensated absences for the current period. (185,106)

Internal Service Funds are used by management to charge the costs of insurance to individual funds. The net revenues (expenses) of the Internal Service Funds are reported with governmental activities. (1,003,106)

Change in Net Assets of Governmental Activities \$ (5,935,610)

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Net Assets
Proprietary Fund
June 30, 2011

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Investments	\$ 757,562
Accounts Receivable	-
Interest Receivable	396
Deposits	-
Prepaid Insurance	-
Total Current Assets	757,958
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	1,242,979
Less accumulated depreciation	(483,579)
Total capital assets (net of accumulated depreciation)	759,400
Total Noncurrent Assets	759,400
Total Assets	1,517,358
LIABILITIES	
Accounts Payable	6,020
Claims Payable	1,213,847
Total Liabilities	1,219,867
NET ASSETS	
Unrestricted	297,491
Total Net Assets	\$ 297,491

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Other Income	\$ 730,814
Total Operating Revenues	<u>730,814</u>
OPERATING EXPENSES	
Insurance and Claims Expenses	1,633,880
Depreciation	<u>284,320</u>
Total Operating Expenses	<u>1,918,200</u>
Operating Income (Loss)	<u>(1,187,386)</u>
NON-OPERATING REVENUE (EXPENSES)	
Investment Earnings	2,567
Gain on Sale of Capital Assets	<u>15,000</u>
Total Non-operating revenues (expenses)	<u>17,567</u>
Income (Loss) before contributions and transfers	(1,169,819)
Transfers In	<u>166,713</u>
Change in Net Assets	(1,003,106)
Total Net Assets, Beginning of Year	<u>1,300,597</u>
Total Net Assets, End of Year	<u><u>\$ 297,491</u></u>

The accompanying notes are an integral part of this statement.

**City of Desert Hot Springs
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2011**

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating Activities	
Payments to Suppliers for Services	\$ (973,836)
Payments to Employees	-
Other Income	<u>730,814</u>
Net Cash Provided (Used) by Operating Activities	<u>(243,022)</u>
Cash Flows from Non-Capital Financing Activities	
Transfers from other funds	<u>166,713</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>166,713</u>
Cash Flows from Capital And Related Financing Activities	
Proceeds from Sales of Capital Assets	15,000
Purchases of Capital Assets	<u>(96,042)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(81,042)</u>
Cash Flows from Investing Activities	
Interest Received	<u>2,739</u>
Net Cash Provided (Used) by Investing Activities	<u>2,739</u>
Net Increase in Cash and Investments	(154,612)
Cash and Investments, Beginning of Year	<u>912,174</u>
Cash and Investments, End of Year	<u><u>\$ 757,562</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Cash Flows from Operating Activities	
Operating income (loss)	\$ (1,187,386)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	284,320
(Increase) Decrease in Accounts Receivable	-
(Increase) Decrease in Deposits	241,088
(Increase) Decrease in Prepaids	-
Increase (Decrease) in Accounts Payable	6,020
Increase (Decrease) in Claims Payable	<u>412,936</u>
Net Cash Provided By Operating Activities	<u><u>\$ (243,022)</u></u>

City of Desert Hot Springs
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

ASSETS

Cash and Investments	\$ 444,243
Restricted Cash with Fiscal Agent	570,612
Accounts Receivable	26,520
Interest Receivable	251
	<hr/>
Total Assets	<u><u>\$ 1,041,626</u></u>

LIABILITIES

Accounts Payable	\$ 3,175
Accrued Liabilities	2,959
Deposits Payable	10,683
Due to Bondholders	1,024,809
	<hr/>
Total Liabilities	<u><u>\$ 1,041,626</u></u>

The accompanying notes are an integral part of this statement.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Desert Hot Springs (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant policies.

A) Reporting Entity

The City was incorporated as a Charter City on September 24, 1963 in the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety; cultural and recreational; public improvements; planning, zoning, and, building and safety; street maintenance; and general government/administrative services.

Accounting principles generally accepted in the United States of America require that these financial statements represent the City of Desert Hot Springs and its component units. A component unit is included in the primary government's financial statements if the governing body is substantively the same as that of the City or if the component unit provides services or other benefits almost entirely to the primary government. The component units discussed below are included in the City's reporting entity because of their operational significance or financial relationships with the City. These component units are controlled by common governing boards, which are substantively the same as the City's and are presented as blended component units for financial reporting purposes. The component units have the same fiscal year end as the City. For those that publish separate financial statements, those statements can be obtained from the City's Finance Department.

The Redevelopment Agency of the City of Desert Hot Springs (the Agency) has established two redevelopment project areas. Project Area No. 1 was adopted on July 6, 1982. Its objective is to strengthen land use pattern and utilization through the redevelopment of under utilized land in order to enhance the viability of Commercial, Residential, and Industrial core areas of the City. Project Area No. 2 was adopted on November 20, 1984. Its objectives are to eliminate conditions of blight by providing needed public improvements, by encouraging rehabilitation and repair of deteriorating structures, by facilitating land assembly and by development which will result in employment opportunities and an expanded tax base. On December 16, 1997, the Redevelopment Agency unanimously approved the proposal to merge Redevelopment Project Areas #1 and #2.

City of Desert Hot Springs Financing Corporation (DHSFC) nonprofit public benefit corporation was formed for the purpose of providing public facility financing to the City. The Corporation's Board of Directors is composed of the five elected City Council members. The Corporation may acquire, construct, rehabilitate, remodel, improve, install and finance or lease various facilities, land and equipment for the benefit of the City. DHSFC holds title to various parcels of land as security for the Certificates of Participation issued in its name. The City makes lease payments to DHSFC in an amount equal to the periodic principal and interest payments due on the Certificates.

B) Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The following are types of funds used:

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B) Description of Funds - Continued

Governmental Fund Types

General Fund - Accounts for and reports all financial resources of the City except those required to be accounted for in another fund.

Special Revenue Funds - Accounts for and reports the proceeds of specific revenue sources that are restricted by law or committed to expenditure for specific purposes other than debt service or capital projects.

Capital Project Funds - Accounts for and reports financial resources that are restricted, committed, or assigned to capital outlays, including the acquisition and construction of capital facilities and other capital assets.

Debt Service Funds - Accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

C) Basis of Accounting/Measurement Focus

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities (including changes in net assets). These statements present summaries of governmental activities for the City.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and infrastructure as well as long-term debt, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenditures are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating contributions and grants, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Operating grants and contributions include revenues restricted to meeting the requirements of a particular operating function and may include state shared revenues and grants. Capital grants and contributions include revenues restricted to meeting the requirements of a particular capital function and may include grants and developer fees. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the government-wide financial statements have been eliminated.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

C) Basis of Accounting/Measurement Focus - Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met qualifications of GASB Statement No. 34.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. “Measurable” means that the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 90 days after year-end, taxpayer assessed taxes such as sales taxes, and earnings on investments. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures are recorded when the fund liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due. The City uses a 90 day period for revenue recognition to accurately report revenue in the period earned.

The City reports the following major governmental funds:

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Community Safety Special Revenue Fund* accounts for special taxes and grants for community safety expenditures.

The *RDA Low Income Housing Fund* accounts for redevelopment funds set aside for development and improvements of low and moderate income housing. Twenty percent of the property tax increment from the redevelopment area is set aside for these funds. Such funds can be utilized within and without the Redevelopment project area.

The *RDA Debt Service Fund* accounts for the accumulation of resources for the payment of principal and interest of long-term debt of the Redevelopment Agency.

The *RDA Capital Projects Fund* accounts for community improvements financed from bond proceeds. Liabilities will be paid from tax increment revenues.

The *Capital Improvement Program Fund* accounts for expenditures related to various capital projects identified in the City’s 5 Year CIP Plan.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Basis of Accounting/Measurement Focus - Continued

Proprietary Fund Financial Statements

Proprietary fund types are accounted for using the “economic resources” measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. Their reported fund equity presents total net assets. The operating statement of the proprietary funds presents increases (revenues) and decreases (expenses) in total net assets. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s internal service fund are charges to customers for sales and services. Operating expenses for the internal service fund include the costs of sales and services, maintenance of capital assets, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City’s internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City’s governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.).

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Since these assets are being held for the benefit of a third party, these funds are not incorporated into the government-wide statements.

The City’s only fiduciary funds are agency funds, which use the accrual basis of accounting to account for amounts held on behalf of other parties. The Agency funds are custodial in nature (assets equal liabilities) and therefore do not involve measurement of results of operations.

D) Budgetary Data

The City adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. Under Section 31.22 of the Desert Hot Springs Municipal Code, the City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. The City Manager is authorized to transfer budgeted amounts between the accounts of any department; however, any revisions that alter the total appropriations of any department must be approved by the City Council. For each fund, total expenditures may not legally exceed total appropriations.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Investments

The City considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

F) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

G) Capital Assets and Depreciation

Capital assets, which include land, machinery and equipment (vehicles, computers, etc), buildings and improvements, and infrastructure assets (street systems, storm drains, sewer systems, etc.), are reported in the governmental activities column of the Government-wide Financial Statements. Capital assets are defined by the City as all land; buildings and improvements with an initial individual cost of more than \$10,000; vehicles, computers and equipment with an initial individual cost of more than \$5,000; and improvement and infrastructure assets with costs of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

Building and Improvements	30 years
Vehicles, Computers, and Equipment	3 to 10 years
Infrastructure Assets	20 years

H) Employee Leave Benefits

Permanent City employees earn from 12 to 21 days per year of annual leave depending upon their length of employment. Upon termination or retirement, permanent employees are entitled to receive compensation at their current base salary for all unused annual leave. To encourage attendance at work, the City allows employees to carry forward up to 750 hours of annual leave and twice per year the City pays out all hours above 550 hours of annual leave.

The City's accrued balance of annual leave at June 30, 2011, is recorded as "Compensated Absences" and is included in the Long-term Liability sections of the City's Statement of Net Assets.

I) Long-Term Obligations

In the government-wide financial statements, long-term debt and other obligations are reported as liabilities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I) Long-Term Obligations - Continued

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J) Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed. Restricted resources are defined as resources received from outside agencies dedicated for specific projects or purposes (grants for example).

K) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant of these estimates include the estimate of historical cost of the City's capital assets.

2) CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Governmental Funds:	
Cash and Investments	\$ 18,085,395
Restricted Cash and Investments	7,668,586
Internal Service Funds:	
Cash and Investments	817,562
Agency Funds:	
Cash and Investments	444,243
Restricted Cash and Investments	<u>570,612</u>
Total Cash and Investments	<u>\$ 27,586,398</u>

Cash and Investments consist of the following:

Cash Deposits with Financial Institutions	\$ 4,073,465
Petty Cash	4,000
Pooled Investments - LAIF	9,269,835
U.S. Agency Securities	5,999,900
Held by Fiscal Agent:	
Mutual Funds	408,393
Money Market	1,501,937
Certificates of Deposit	<u>6,328,868</u>
Total Cash and Investments	<u>\$ 27,586,398</u>

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011

2) CASH AND INVESTMENTS - Continued

Investments Authorized by the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provision of the California Government Code or the City's investment policy. Authorized investments held by bond trustee are the same as those authorized by the City's investment policy identified above.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. The City had the following investments:

<u>Investment Type</u>	<u>Maturity Date</u>	
Pooled Investments:		
State Investment Pool (LAIF)	\$ 9,269,835	N/A
U.S. Agency Securities:		
Federal Home Loan Banks	1,000,000	2013
Federal Home Loan MTG Corporation	999,900	2013
Federal Farm CR BKS Global	1,000,000	2014
Federal National MTG Association	1,000,000	2014
Federal Farm CR BKS Global	1,000,000	2015
Federal National MTG Association	1,000,000	2016
Held by Bond Trustee:		
Mutual Funds	408,393	N/A
Money Market	1,501,937	N/A
Certificates of Deposit	2,257,000	2012
Certificates of Deposit	3,892,868	2014
Certificates of Deposit	179,000	2015
Total Investments	<u>\$ 23,508,933</u>	

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

2) CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. All of the investments noted above are unrated with the exception of the U.S. Agency Securities, Mutual Funds, and Money Market. The above rated investments are all rated at AAA as of June 30, 2011.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than external investment pools, Mutual Funds and U.S. Treasury Securities) that represent 5% or more of total investments are as follows:

Investment Type	Carrying Value
U.S. Agency Securities:	
Federal Farm CR BKS Global	2,000,000
Federal National MTG Association	2,000,000

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City’s investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institution to secure the City’s deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

At June 30, 2011, the balances held per bank were \$4,518,074 of which \$4,268,074 was in excess of federal depository insurance limits and held in accounts collateralized by pledging financial institution, but not in the City’s name, as discussed above.

The custodial credit risk for investments is the risk that, in the event of the failure of counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011

2) CASH AND INVESTMENTS – Continued

Investment in State Investment Pool

The City is a voluntary participant in the LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

3) SPECIAL ASSESSMENT AND NOTES RECEIVABLE

Special Assessment Receivable

During fiscal year ended June 30, 1987, the Capital Projects Fund of the Redevelopment Agency of the City of Desert Hot Springs financed construction of certain public improvements pursuant to the Municipal Act of 1913 and provisions of the Streets and Highway Code of the State of California. At June 30, 2011, the Agency had a receivable for unpaid assessments from the property owners benefited in the amount of \$10,767. The receivables bear interest at a rate not exceeding 12 percent and will be recognized as income when collected. No amounts were repaid during fiscal year ending June 30, 2011.

Notes Receivable

The Redevelopment Agency of the City of Desert Hot Springs operates a housing rehabilitation loan program, which provides loans to borrowers who meet certain qualifications for the purpose of rehabilitating their homes. The loans are secured by a deed of trust and are normally repaid when the home changes ownership. Since the loans are not currently available resources they are offset with deferred revenue in the fund financial statements. The balance of the loans receivable outstanding at June 30, 2011, was \$2,873,452.

On October 6, 2009 the Redevelopment Agency of the City of Desert Hot Springs entered into an Owner Participation and Loan Agreement for \$750,000 with a developer to provide sixty low to moderate income housing units. The term of the loan is fifty-five years and is offset by deferred revenue in the fund financial statements, and an allowance for doubtful accounts in the entity-wide financial statements.

Coachella Valley Housing Coalition

The Redevelopment Agency of the City of Desert Hot Springs has contracted with the Coachella Valley Housing Coalition (CVHC) to use funds from the loan agreement with California Housing Finance Authority to purchase property that will be used to develop low income housing. To date, the Agency has disbursed \$730,267 (less repayments of \$0 to the CVHC). The Agency is the lead agency for these agreements and has fiduciary/reporting responsibilities. The receivable balance owed to the Agency is \$730,267 as of June 30, 2011.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

4) INTERFUND TRANSACTIONS

Interfund balances at June 30, 2011, are as follows:

Due To	Due From Non-Major Funds
General Fund	\$ 119,348
RDA Capital Projects	17,630
	\$ 136,978

These balances resulted from one fund advancing money to another fund to cover operating costs. These balances are expected to be repaid during the 2011-12 fiscal year.

Interfund Advances at June 30, 2011 are as follows:

Advance From	Advance To	Amount
RDA Low Income Housing Fund	RDA Debt Service Fund	\$ 3,442,921

This intragovernmental balance was the result of interfund borrowings to cover the SERAF payment.

With Council approval, resources may be transferred from one City fund to another. Transfers are used to move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Interfund transfers for the year ended June 30, 2011, consisted of the following:

		TRANSFERS FROM					
		General Fund	Community Safety Fund	RDA Debt Service Fund	RDA Capital Projects Fund	Non-Major Funds	Total
TRANSFERS TO	General Fund	\$	\$	\$	\$	\$ 100,000	\$ 100,000
	Community Safety Fund	1,213,296					1,213,296
	RDA Low Income Housing Fund				267,669		267,669
	RDA Debt Service Fund				955,355		955,355
	RDA Capital Projects Fund			10,006,581			10,006,581
	Capital Improvement Program Fund				5,149,931	1,380,013	6,529,944
	Non-major Funds	100,000					100,000
	Proprietary Fund		140,000			26,713	166,713
	Total	\$ 1,313,296	\$ 140,000	\$ 10,006,581	\$ 6,372,955	\$ 1,506,726	\$19,339,558

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011

4) INTERFUND TRANSACTIONS - Continued

The transfer from the General Fund to the Community Safety Fund was to support public safety activities. Transfers from the RDA Capital Projects Fund to the RDA Low Income Housing, RDA Debt Service and Capital Improvement Program Funds were for State Audit recategorization of expenses, repayment of debt and to fund various capital projects respectively. Transfers from the Community Safety and Non-major Funds to the Proprietary Fund were for equipment purchase. Transfers made from the Non-major Funds to the Capital Improvement Fund were to fund various capital projects. Transfers between the General Fund and the Non-Major Funds were for operation costs for the fiscal year and were approved as a part of the budget process.

5) CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets (except the retroactive reporting of infrastructure as discussed in Note 1). The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation have been recorded.

The following table presents the capital assets and depreciation activity for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 1,241,278	\$ 119,464	\$	\$ 1,360,742
Construction in Progress	<u>8,119,343</u>	<u>200,240</u>	<u>(4,433,374)</u>	<u>3,886,209</u>
Total Capital Assets Not Depreciated	<u>9,360,621</u>	<u>319,704</u>	<u>(4,433,374)</u>	<u>5,246,951</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	10,075,875	5,130,328		15,206,203
Machinery and Equipment	7,505,438	149,844	(4,250)	7,651,032
Vehicles	1,501,105	66,219		1,567,324
Infrastructure	<u>24,710,915</u>	<u>2,842,528</u>		<u>27,553,443</u>
Total Capital Assets Being Depreciated	<u>43,793,333</u>	<u>8,188,919</u>	<u>(4,250)</u>	<u>51,978,002</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,725,903)	(317,057)		(3,042,960)
Machinery and Equipment	(2,058,533)	(936,287)		(2,994,820)
Vehicles	(1,379,660)	(71,876)		(1,451,536)
Infrastructure	<u>(2,272,074)</u>	<u>(1,235,546)</u>		<u>(3,507,620)</u>
Total Accumulated Depreciation	<u>(8,436,170)</u>	<u>(2,560,766)</u>	<u>-</u>	<u>(10,996,936)</u>
Total Capital Assets Being Depreciated, Net	<u>35,357,163</u>	<u>5,628,153</u>	<u>(4,250)</u>	<u>40,981,066</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,717,784</u>	<u>\$ 5,947,857</u>	<u>\$ (4,437,624)</u>	<u>\$ 46,228,017</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

5) CAPITAL ASSETS - Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 1,412,296
Public Safety	576,490
Public Works	106,796
Economic Development	<u>465,184</u>
 Total Depreciation Expense	 <u>\$ 2,560,766</u>

6) LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term Bonds and Leases:					
<u>City of Desert Hot Springs</u>					
Certificates of Participation	\$ 2,370,000	\$	\$ (145,000)	\$ 2,225,000	\$ 150,000
Deferred Issuance Discount	(22,464)		4,770	(17,694)	
Judgment Obligation Bonds	9,725,000			9,725,000	
Deferred Issuance Discount	(155,416)		6,101	(149,315)	
 <u>Desert Hot Springs Redevelopment Agency</u>					
2006 Tax Allocation Refunding Bonds	5,890,000		(500,000)	5,390,000	520,000
Premium on Bonds	20,262		(1,815)	18,447	
2008 Tax Allocation Bonds A-1	19,170,000		(1,605,000)	17,565,000	155,000
Deferred Issuance Discount	(835,846)		30,120	(805,726)	
2008 Tax Allocation Bonds A-2	15,870,000			15,870,000	
Deferred Issuance Discount	(196,711)		7,089	(189,622)	
2009 Tax Allocation Bonds	5,635,000		(35,000)	5,600,000	100,000
Premium on Bonds	69,770		(2,406)	67,364	
California HFA Loan	<u>730,267</u>			<u>730,267</u>	
 Total Long-term Bonds and Leases	 <u>58,269,862</u>	 <u>-</u>	 <u>(2,241,141)</u>	 <u>56,028,721</u>	 <u>925,000</u>
 Other Long-term Liabilities:					
<u>City of Desert Hot Springs</u>					
Compensated Absences	<u>322,053</u>	<u>1,389,174*</u>	<u>(389,681)</u>	<u>1,321,546</u>	
 Pension-Related Debt	 <u>2,671,706</u>	 <u>-</u>	 <u>(36,524)</u>	 <u>2,635,182</u>	 <u>47,271</u>
 Total Long-term Liabilities	 <u>\$ 61,263,621</u>	 <u>\$ 1,389,174</u>	 <u>\$ (2,667,346)</u>	 <u>\$ 59,985,449</u>	 <u>\$ 972,271</u>

*\$814,387 of this amount represents a prior period adjustment to properly record balances for all City employees.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES - Continued

A) Certificates of Participation

On October 14, 2004, the City issued \$3,060,000 of Certificates of Participation to provide additional proceeds for the payment of claims to be satisfied under the Plan as defined above. Total claims to be satisfied under the City's Plan in the Chapter 9 Case are approximately \$11.5 million. The Certificates mature through March 1, 2023 and bear interest, payable semi-annually, at rates ranging from 3.00 percent to 5.75 percent. The Certificates are subject to prepayment at any time prior to maturity. The Certificates are payable from lease payments made by the City to the City of Desert Hot Springs Financing Corporation whereby the City pays lease payments equal to the amount of principal and interest due for the repayment of the Certificates.

The debt service maturity schedule for the Certificates of Participation is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 150,000	\$ 114,138	\$ 264,138
2013	160,000	107,387	267,387
2014	165,000	99,788	264,788
2015	175,000	91,950	266,950
2016	180,000	83,200	263,200
2017	190,000	74,200	264,200
2018	200,000	64,700	264,700
2019	210,000	54,200	264,200
2020	220,000	43,175	263,175
2021	235,000	31,625	266,625
2022	245,000	18,700	263,700
2023	95,000	5,228	100,228
Total	<u>\$ 2,225,000</u>	<u>\$ 788,291</u>	<u>\$ 3,013,291</u>

B) Judgment Obligation Bonds

On October 14, 2004, the City issued \$9,725,000 of Judgment Obligation Bonds to provide payment for the City's obligation to the Judgment Obligees evidenced by the Silver Sage Judgment and the Settlement Agreement as approved in the Confirmation Order. Because the City could not previously satisfy its obligation to the Judgment Obligees and certain order creditors, in December 2001, the City initiated a case under Chapter 9 of the United States Bankruptcy Code (the Chapter 9 Case) by filing a voluntary petition with the United States Bankruptcy Court of the Central District of California, Riverside Division. These Bonds were issued in connection with and in satisfaction of the City's Third Amended Plan for the Adjustment of Debt (the Plan), dated and filed in the Chapter 9 Case on April 28, 2004. In accordance with the plan, the city is required to consummate a bond or private financing transaction that will produce a minimum of \$8.5 million in unrestricted net proceeds available to the city for use in the payment of claims through the Plan and in satisfaction of ongoing obligations (the Exit Financing). The Bonds, and additional financing described below, and certain payments by the City to creditors in the Chapter 9 Case will constitute the City's Exit Financing and the finalization of the pending Chapter 9 Case.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES

B) Judgment Obligation Bonds - Continued

The bonds mature through May 1, 2044 and bear interest, payable semi-annually, at rates ranging from 4.75 percent to 5.08 percent. The bonds maturing on or before March 1, 2014 are not subject to redemption prior to their stated maturity date. The bonds maturing on and after March 1, 2015 shall be subject to optional redemption, in whole or in part, on any Interest Payment Date on or after March 1, 2014, from any source of available funds, at the principal amount thereof, plus accrued interest thereon to the date of redemptions, without premium. The outstanding balance as of June 30, 2011, was \$9,725,000.

The debt service maturity schedule for the Judgment Obligation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 476,250	\$ 476,250
2013	-	476,250	476,250
2014	-	476,250	476,250
2015	-	476,250	476,250
2016	-	476,250	476,250
2017	-	476,250	476,250
2018	-	476,250	476,250
2019	-	476,250	476,250
2020	-	476,250	476,250
2021	-	476,250	476,250
2022	-	476,250	476,250
2023	165,000	476,250	641,250
2024	275,000	468,413	743,413
2025	285,000	455,350	740,350
2026	300,000	441,813	741,813
2027	315,000	427,562	742,562
2028	330,000	412,600	742,600
2029	345,000	396,925	741,925
2030	360,000	380,538	740,538
2031	380,000	363,438	743,438
2032	395,000	345,387	740,387
2033	415,000	326,625	741,625
2034	435,000	306,913	741,913
2035	455,000	286,250	741,250
2036	480,000	263,500	743,500
2037	500,000	239,500	739,500
2038	525,000	214,500	739,500
2039	555,000	188,250	743,250
2040	580,000	160,500	740,500
2041	610,000	131,500	741,500
2042	640,000	101,000	741,000
2043	675,000	69,000	744,000
2044	705,000	35,250	740,250
Total	\$ 9,725,000	\$ 11,729,814	\$ 21,454,814

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES - Continued

C) 2006 Tax Allocation Refunding Bonds

In August of 2006, the Redevelopment Agency of the City of Desert Hot Springs issued \$7,025,000 in Merged Redevelopment Project Tax Allocation Refunding Bonds, with interest payments of 3.50% to 4.25% payable semi-annually on September 1 and March 1 of each year to refund \$7,085,000 of outstanding Redevelopment Project No. 1, 1993 Tax Allocation Parity Bonds, Series A and B, and \$1,050,000 Redevelopment Project No. 2, 1993 Tax Allocation Bonds, Series A with interest rates ranging from 3.75% to 6.60%. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's books.

At June 30, 2011, the amount in the Bond Reserve Fund was sufficient to cover the minimum bond reserve requirement. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 520,000	\$ 204,920	\$ 724,920
2013	535,000	184,487	719,487
2014	550,000	163,456	713,456
2015	570,000	141,056	711,056
2016	590,000	117,856	707,856
2017	600,000	94,057	694,057
2018	625,000	69,556	694,556
2019	645,000	44,156	689,156
2020	665,000	17,541	682,541
2021	80,000	2,125	82,125
2022	10,000	213	10,213
Total	<u>\$ 5,390,000</u>	<u>\$ 1,039,423</u>	<u>\$ 6,429,423</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES - Continued

D) 2008 Tax Allocation Bonds

In April of 2008, the Redevelopment Agency of the City of Desert Hot Springs issued \$19,965,000 in Merged Redevelopment Project Tax Allocation Series A-1 (Taxable) and \$15,870,000 in Merged Redevelopment Project Tax Allocation Series A-2 (Non-Taxable) Bonds. The Series A-1 Bonds pay 7.00% to 7.50% interest semi-annually on September 1 and March 1 to maturity in 2024. The Series A-2 Bonds pay 5.00% to 5.75% interest semi-annually on September 1 and March 1 to maturity in 2039. The Bonds were issued to finance activities within the project area.

The debt service maturity schedule for the 2008 A-1 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 155,000	\$ 1,224,125	\$ 1,379,125
2013	975,000	1,184,575	2,159,575
2014	1,040,000	1,114,050	2,154,050
2015	1,115,000	1,038,625	2,153,625
2016	1,190,000	957,950	2,147,950
2017	1,275,000	871,675	2,146,675
2018	1,365,000	779,275	2,144,275
2019	1,460,000	680,400	2,140,400
2020	1,565,000	574,525	2,139,525
2021	1,670,000	461,300	2,131,300
2022	1,790,000	340,200	2,130,200
2023	1,915,000	210,525	2,125,525
2024	2,050,000	71,750	2,121,750
Total	<u>\$ 17,565,000</u>	<u>\$ 9,508,975</u>	<u>\$ 27,073,975</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES - Continued

D) 2008 Tax Allocation Bonds - Continued

The debt service maturity schedule for the 2008 A-2 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 865,772	\$ 865,772
2013	-	865,773	865,773
2014	-	865,772	865,772
2015	-	865,773	865,773
2016	-	865,772	865,772
2017	-	865,773	865,773
2018	-	865,772	865,772
2019	-	865,773	865,773
2020	-	865,772	865,772
2021	545,000	852,148	1,397,148
2022	650,000	822,272	1,472,272
2023	690,000	788,773	1,478,773
2024	725,000	753,397	1,478,397
2025	760,000	715,322	1,475,322
2026	800,000	674,373	1,474,373
2027	845,000	631,191	1,476,191
2028	885,000	585,779	1,470,779
2029	935,000	538,004	1,473,004
2030	985,000	485,479	1,470,479
2031	1,040,000	427,950	1,467,950
2032	1,100,000	367,153	1,467,153
2033	1,160,000	302,946	1,462,946
2034	795,000	247,400	1,042,400
2035	840,000	200,938	1,040,938
2036	715,000	156,745	871,745
2037	755,000	114,966	869,966
2038	800,000	70,770	870,770
2039	845,000	24,016	869,016
Total	\$ 15,870,000	\$ 16,551,574	\$ 32,421,574

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES - Continued

E) 2009 Tax Allocation Bonds

In July of 2009, the Redevelopment Agency of the City of Desert Hot Springs issued \$5,635,000 in Merged Redevelopment Project Tax Allocation Bonds. The Bonds pay 6.00% to 7.375% interest semi-annually on September 1 and March 1 to maturity in 2040. The Bonds were issued to finance activities within the project area.

The debt service maturity schedule for the 2011 Tax Allocation Bonds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 100,000	\$ 375,474	\$ 475,474
2013	105,000	371,624	476,624
2014	105,000	367,293	472,293
2015	110,000	362,531	472,531
2016	115,000	357,270	472,270
2017	120,000	351,419	471,419
2018	130,000	344,789	474,789
2019	135,000	337,499	472,499
2020	145,000	329,550	474,550
2021	150,000	320,881	470,881
2022	160,000	311,581	471,581
2023	170,000	301,681	471,681
2024	180,000	291,181	471,181
2025	190,000	278,775	468,775
2026	205,000	264,209	469,209
2027	220,000	248,538	468,538
2028	235,000	231,759	466,759
2029	255,000	213,691	468,691
2030	275,000	194,147	469,147
2031	295,000	173,128	468,128
2032	315,000	150,634	465,634
2033	340,000	126,481	466,481
2034	215,000	106,016	321,016
2035	230,000	89,606	319,606
2036	250,000	71,906	321,906
2037	190,000	55,681	245,681
2038	205,000	41,116	246,116
2039	220,000	25,444	245,444
2040	235,000	8,666	243,666
Total	\$ 5,600,000	\$ 6,702,570	\$ 12,302,570

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES – Continued

F) California HFA Loan

The Redevelopment Agency of the City of Desert Hot Springs participates in a revolving loan program with the California Housing Finance Agency (HFA). The loan program allows for the Agency to borrow up to \$1,220,000. These funds are to be used to purchase property that will be used to develop low income housing. As of June 30, 2011, the Agency has drawn \$730,267.

G) Compensated Absences

The City had accrued compensated absences of \$1,321,546 as of June 30, 2011. The General Fund is expected to incur the majority of expenditures required to liquidate this balance.

H) Pension-Related Debt

As of June 30, 2003, CalPERS implemented risk pooling for the City’s multiple-employer public employee defined benefit pension plan. At that point, in accordance with generally accepted accounting principles, the City’s Miscellaneous and Safety Plans converted from an “agent” multiple-employer plan to a “cost-sharing” multiple-employer plan. Although a portion of the City’s annual required contributions are actuarially determined and shared by all employers of the risk pool, the City is also required to make annual payments on a “Side Fund” which was created when the City entered the risk pool. The responsibility for funding the Side Fund is specific to the City and is not shared by all employers in the plan. Therefore, the Side Fund falls under the definition of pension-related debt, as described in GASB Statement No. 27. The annual payments on the Side Fund represent principal and interest payments on the pension-related debt. Principal and interest are included in the retirement expenditures in the various functions.

The future debt service requirements for the Safety Plan Side Fund are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 19,286	\$ 147,047	\$ 166,333
2013	26,392	145,346	171,738
2014	34,231	143,089	177,320
2015	42,866	140,217	183,083
2016	52,365	136,668	189,033
2017	62,801	132,376	195,177
2018	74,252	127,268	201,520
2019	86,805	121,265	208,070
2020	100,552	114,280	214,832
2021	115,592	106,222	221,814
2022	132,034	96,989	229,023
2023	149,993	86,474	236,467
2024	169,594	74,557	244,151
2025	190,975	61,112	252,087
2026	214,279	46,000	260,279
2027	239,667	29,071	268,738
2028	267,309	10,164	277,473
Total	\$ 1,978,993	\$ 1,718,145	\$ 3,697,138

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

6) LONG-TERM LIABILITIES – Continued

H) Pension-Related Debt - Continued

The future debt service requirements for the Miscellaneous Plan Side Fund are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 27,985	\$ 47,966	\$ 75,951
2013	32,716	45,704	78,420
2014	37,897	43,071	80,968
2015	43,566	40,034	83,600
2016	49,763	36,555	86,318
2017	56,531	32,591	89,122
2018	63,919	28,100	92,019
2019	71,977	23,033	95,010
2020	80,760	17,337	98,097
2021	90,329	10,957	101,286
2022	100,746	3,831	104,577
Total	<u>\$ 656,189</u>	<u>\$ 329,179</u>	<u>\$ 985,368</u>

7) PROPERTY TAXES/SPECIAL PARCEL TAXES

Riverside County assesses, bills, collects, and distributes property taxes/special parcel tax and any related interest and penalties to the City. Under California law, property taxes are assessed and collected by the counties to one percent of assessed value, plus other increases approved by the voters. Accordingly, the City of Desert Hot Springs accrues only those taxes, which are received from the County within sixty days after the year-end in the governmental funds statements.

Lien Date	January 1 st
Levy Date	July 1 st
Due Date	November 1 st
	February 1 st
Delinquent Date	December 10 th
	April 10 th

8) RISK MANAGEMENT

The City of Desert Hot Springs manages its risk using several different types of insurance for liability, workers' compensation, property, and earthquake coverage. Each type of insurance is described below, summarizing the coverage maintained by the City of Desert Hot Springs.

A) Workers' Compensation Coverage

The City of Desert Hot Springs is self-insured for the first \$250,000 of each accident. For coverage above \$250,000, the City participates in the Public Entity Risk Management Authority (PERMA). PERMA provides coverage for costs

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

8) RISK MANAGEMENT - Continued

A) Workers' Compensation Coverage

incurred above \$250,000 up to \$500,000 through a risk sharing pool, and costs are shared between seventeen participating members within this pool based upon deposit premium contributions. For costs above \$500,000, PERMA participates in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for excess coverage up to the coverage limits of \$200 million per accident for workers' compensation and \$5 million each accident for employers' liability. The City uses a third party claims administrator to process all claims.

B) General Liability

The City of Desert Hot Springs is self-insured for the first \$10,000 of each occurrence. For coverage above \$10,000, the City Participates in PERMA. PERMA provides coverage for costs incurred above \$10,000 up to \$1 million through risk sharing pools. Costs are shared between participating members within each pool based upon premium contributions. For costs exceeding \$1 million, PERMA participated in the California Joint Powers Risk Management Authority (CJPRMA) for excess coverage up to the coverage limit of \$40 million. The City uses PERMA to process all claims.

C) Employment Practices Liability Coverage

The City of Desert Hot Springs is self-insured for the first \$25,000 of each occurrence. As a member of PERMA, the City participated in the Employment Risk Management Authority (ERMA) for EPL coverage. ERMA's limit of coverage is \$1 million; however as PERMA is a member of CJPRMA, the City can layer the EPL coverage provided by the CJPRMA pool of \$6 million with ERMA, to bring the total in limits for EPL coverage to \$7 million through a combination of risk sharing pools and reinsurance.

D) Property Insurance

The City of Desert Hot Springs is self insured for the first \$5,000 per occurrence except as follows: \$25,000 for flood, \$25,000 for earthquake sprinkler leakage; \$2,500 electronic data processing; 24 hour service interruption. As a member of PERMA the City's coverage is provided at replacement cost with a limit of \$10 million per occurrence (\$2.5 million for flood).

E) Adequacy of Protection

During the past three fiscal (policy) years, none of the above programs of protection have had settlements or judgments that pooled or insured coverage. There have been no significant reductions in pooled or insured coverage from the prior year.

Complete financial statements may be obtained from the Public Entity Risk Management Authority at 77-670 Springfield Lane, Suite 1A, Palm Desert, CA 92211.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

8) RISK MANAGEMENT - Continued

F) Claims Liability

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2011, the amount of these liabilities was \$1,213,847. This liability is the City's best estimate based on available information. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended June 30, 2011	Year Ended June 30, 2010
Claims payable, beginning of fiscal year	\$ 800,911	\$ 768,783
Current year claims and changes in estimates	504,034	32,128
Claims payments	(91,098)	-
Claims payable, end of fiscal year	<u>\$ 1,213,847</u>	<u>\$ 800,911</u>

9) PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description

The City of Desert Hot Springs' defined pension plans, the Miscellaneous Plan and the Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan and the Safety Plan are a part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The City of Desert Hot Springs selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issue a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS executive Office-400 P Street-Sacramento, California, 95814.

Funding Policy

Active plan members in the Miscellaneous Plan and the Safety Plan are required to contribute between 8 percent and 9 percent of their annual covered salary; however, the City pays both the employee's and employer's share for the Safety Plan and only pays the employer's contribution for the Miscellaneous Plan. The City of Desert Hot Springs' labor contracts requires the City to pay all Miscellaneous Employee Plan PERS contributions and Safety Plan contributions that are required for the actuarially determined amount necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for Fiscal Year 2010-2011 was 14.425 percent for Miscellaneous employees and 31.874 percent for Safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

9) PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) - Continued

The following represents the required contributions for the past three fiscal years:

Fiscal Year	Required Contributions	Percent Contributed
6/30/09	\$ 961,332	100%
6/30/10	\$ 950,038	100%
6/30/11	\$ 1,389,310	100%

10) DEFINED CONTRIBUTION PLAN

The City has a money purchase defined contribution plan for all eligible employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. ICMA Retirement Corporation serves as the plan administrator and plan amendments must be authorized by the City Council. Eligibility begins for full-time employees with 6 months or more service. Employees earn a vesting in the benefits at a rate of 10 percent to 20 percent per year with 100 percent vesting after 7 years service. The City contributed 12 percent of annual wages for all covered employees for the year ended June 30, 2010. For the 2010-2011 fiscal year actual contributions were \$119,310 and the plan net assets available were \$1,780,670, all of which was vested.

11) NON-OBLIGATION DEBT

The Desert Hot Springs Public Financing Authority issued the “Health Care Refund and Improvement Certificates of Participation” (the Certificates) for the Heritage Hospital Project on August 15, 1998. The Certificates were issued in two series: Series A was issued for \$13,900,000 and were tax exempt and Series B was issued for \$8,430,000 and was taxable. The Certificates do not constitute a debt or liability of the State of California, the City, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation. As of June 30, 2009, the Certificates were in default and have been transferred to the Bank of New York as the successor indenture trustee. The outstanding balance of the Certificates at June 30, 2011, was \$6,032,769.

The City of Desert Hot Springs Community Facilities District No 2006-1(the “District”) issued Improvement Area 1 Special Tax Bonds, Series 2008A on October 16, 2008 in the amount of \$2,600,000. The bond proceeds in conjunction with Special Tax collections will be used to finance certain public facilities and fees within the City of Desert Hot Springs necessary for the development of property within Improvement Area 1 of the District. The bonds do not constitute a debt or liability of the City. During the 2010-11 fiscal year, the District issued Special Tax Refunding Bonds, Series 2010 for the principal amount of the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Bonds. The outstanding balance at June 30, 2011, was \$2,600,000.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

12) ASSESSMENT DISTRICTS

In November 1992, the City issued \$975,062 of municipal limited improvement bonds (Assessment District 92-1) to provide financing for the acquisition of street, sewer, and water drainage utilities for the proposed residential subdivision known as Arroyo Vista. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2011, is \$235,000.

In October 1993, the City issued \$765,320 of municipal limited improvement bonds (Assessment District 93-2) for the acquisition of street, sewer, water, drainage and utilities within, or adjacent to, the proposed Arroyo Vista development. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2011, is \$235,000.

In May 1994, the City issued \$441,044 of municipal limited improvement bonds (Assessment District 91-1) for the acquisition and construction of certain street improvements for Two Bunch Palms Trail. The bonds are subject to optional redemption prior to maturity at par plus accrued interest and a premium of 3 percent. The outstanding balance at June 30, 2011, is \$75,000.

The City is acting only in an agent capacity for collection of principal and interest payments by the property owners and remittance of such monies to the bondholders. The City has no obligation or duty to pay any delinquency from any available funds of the City. For the above noted Assessment Districts, neither the full faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision is pledged to the payment of the aforementioned bonds.

13) CLASSIFICATION OF NET ASSETS AND FUND BALANCE

A) Net Assets

In the Government-wide financial statements; net assets are classified in the following categories:

Invested in Capital Assets

This category groups all assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets reduces this category.

Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

This category represents the net assets of the City that are not externally restricted for any project or other purpose.

City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011

13) CLASSIFICATION OF NET ASSETS AND FUND BALANCE - Continued

B) Fund Balance

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of June 30, 2011. Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance - Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance - Amounts that may be specified by the City Council by ordinance or resolution to formally commit part of the City's fund balances or future revenues for a specific purpose(s) or program. To change or repeal any such commitment will require an additional formal City Council's action utilizing the same type of action that was originally used.

Assigned Fund Balance - Amounts that are constrained by the City Council's intent to use specified financial resources for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance - These are either residual positive net resources of fund balance in excess of what can properly be classified in one of the other four categories, or negative balances.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

13) CLASSIFICATION OF NET ASSETS AND FUND BALANCE - Continued

B) Fund Balance – Continued

The City's governmental fund balances at June 30, 2011, are presented below:

	<u>General Fund</u>	<u>Community Safety Fund</u>	<u>RDA Low Income Housing Fund</u>	<u>Debt Service RDA Fund</u>	<u>Capital Projects RDA Fund</u>
Nonspendable:					
Prepaid Items	\$ 25,337	\$	\$	\$	\$
Restricted for:					
Community Development					
Parks and Recreation					
Public Works/Street Maintenance					
Public Safety					
Debt Service				3,398,417	741,694
Low and Moderate Housing			7,929,334		
Lighting/Landscaping/Drainage					
Redevelopment Activities					5,736,560
Assigned to:					
Debt Service					
Capital Projects					
Unassigned	<u>5,126,434</u>	<u> </u>	<u> </u>	<u>(3,454,779)</u>	<u> </u>
Total Fund Balance	<u>\$ 5,151,771</u>	<u>\$ -</u>	<u>\$ 7,929,334</u>	<u>\$ (56,362)</u>	<u>\$ 6,478,254</u>

	<u>Capital Improvement Program Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid Items	\$	\$	\$ 25,337
Restricted for:			
Community Development		1,837,914	1,837,914
Parks and Recreation		120,625	120,625
Public Works/Street Maintenance		356,267	356,267
Public Safety		13,245	13,245
Debt Service		267,405	4,407,516
Low and Moderate Housing			7,929,334
Lighting/Landscaping/Drainage		1,073,603	1,073,603
Redevelopment Activities			5,736,560
Assigned to:			
Debt Service		747,691	747,691
Capital Projects	4,457,362		4,457,362
Unassigned	<u> </u>	<u>(1,015)</u>	<u>1,670,640</u>
Total Fund Balance	<u>\$ 4,457,362</u>	<u>\$ 4,415,735</u>	<u>\$ 28,376,094</u>

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

14) COMMITMENTS AND CONTINGENCIES

The City is involved in various litigations which, in the opinion of management and legal counsel, the disposition of such will not have a material effect on the City's financial statements.

The City participates in several federal and state programs. These programs are subject to examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial. The City is not aware, nor has it been contacted, by granting agencies of any such audit.

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each local government would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city, special district or county "may use any available funds not otherwise obligated for other uses" to make this payment. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency would become uncollectible with a loss recognized to the City. Additionally, the City would be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

14) COMMITMENTS AND CONTINGENCIES - Continued

Recent Changes in Legislation Affecting California Redevelopment Agencies - Continued

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB X1 26.

As of December 29, 2011, the Supreme Court of California upheld the provisions of Assembly Bill X1 26 and invalidated Assembly Bill X1 27. The ruling provides for the wind-up and dissolution of redevelopment agencies as of February 1, 2012.

As of June 30, 2011, in the opinion of the City Administration and the City's Attorneys, there are no other outstanding matters which would have a material effect on the financial position of the Agency.

15) OTHER FUND DISCLOSURES

The following fund ended the 2010-2011 fiscal year with deficit fund balance in the following amount:

Non-Major Governmental Funds	
Special Revenue Funds:	
County Service Area	1,015

These deficit balances are expected to be reimbursed with future revenues and/or transfers from other funds.

16) JOINT VENTURES

Eastern Riverside County Interoperable Communications Authority (ERICA)

The City is a member of the Eastern Riverside County Interoperable Communications Authority (ERICA), a Joint Powers Authority created to establish and operate a consolidated communications system which provides emergency call receiving and dispatching services. Other members of the Authority include the Cities of Indio, Cathedral City, and Palm Springs. The members, including the City of Desert Hot Springs, are responsible for funding the operations of the Authority through annual assessments. The annual assessments are based on percentages calculated for each member. Audited financial statements of the Authority can be obtained at 100 Civic Center Mall, Indio, CA 92201.

In addition, the Authority and member agencies have entered into a Reimbursement Agreement relating to a Municipal Lease Purchase Agreement with Motorola Inc, in the aggregate principal amount of \$5,557,603. The Agreement obligates each member agency to pay 25% of the annual lease payments, as set forth in the Municipal Lease Purchase Agreement with Motorola Inc.

**City of Desert Hot Springs
Notes to Financial Statements
Year Ended June 30, 2011**

16) JOINT VENTURES - Continued

Eastern Riverside County Interoperable Communications Authority (ERICA) - Continued

The following represents the City of Desert Hot Spring's obligation for future lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Annual Lease Payment</u>
2012	\$ 136,495
2013	136,495
2014	136,495
2015	136,495
2016	136,495
2017	136,495
2018	136,495
2019	136,495
2020	136,495
2021	136,495
2022	136,495
2023	136,495
2024	136,495

REQUIRED SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes	\$ 5,433,815	\$ 5,522,469	\$ 5,642,350	\$ 119,881
Permits and Fees	940,000	1,119,700	1,116,332	(3,368)
Intergovernmental		66,000	140,066	74,066
Interest	150,000	85,000	51,664	(33,336)
Miscellaneous	100,000	518,600	256,599	(262,001)
	<u>6,623,815</u>	<u>7,311,769</u>	<u>7,207,011</u>	<u>(104,758)</u>
EXPENDITURES				
Current:				
General Government	563,518	658,787	441,811	216,976
Public Safety	3,627,873	4,387,618	3,872,392	515,226
Public Works	379,123	395,049	386,853	8,196
Economic Development	860,174	1,150,763	878,795	271,968
Culture and Leisure	498,000	371,425	365,419	6,006
Capital Outlay				-
	<u>5,928,688</u>	<u>6,963,642</u>	<u>5,945,270</u>	<u>1,018,372</u>
Excess (Deficiency) of Revenues over Expenditures	<u>695,127</u>	<u>348,127</u>	<u>1,261,741</u>	<u>913,614</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	175,000	100,000	100,000	-
Transfers Out	(825,000)	(403,000)	(1,313,296)	(910,296)
	<u>(650,000)</u>	<u>(303,000)</u>	<u>(1,213,296)</u>	<u>(910,296)</u>
Net Change in Fund Balances	45,127	45,127	48,445	3,318
Fund Balances (Deficit), Beginning of Year	<u>5,103,326</u>	<u>5,103,326</u>	<u>5,103,326</u>	
Fund Balances (Deficit), End of Year	<u>\$ 5,148,453</u>	<u>\$ 5,148,453</u>	<u>\$ 5,151,771</u>	<u>\$ 3,318</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Safety Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,991,342	\$ 3,997,400	\$ 3,727,758	\$ (269,642)
Permits and Fees	1,356,000	1,425,800	1,534,820	109,020
Intergovernmental	135,000	507,358	411,899	(95,459)
Licenses	6,000	6,000	24,264	18,264
Interest				-
Miscellaneous	143,113	130,254	69,179	(61,075)
Total Revenues	<u>5,631,455</u>	<u>6,066,812</u>	<u>5,767,920</u>	<u>(298,892)</u>
EXPENDITURES				
Current:				
Public Safety	6,776,582	6,901,581	6,866,259	35,322
Capital Outlay		55,358	20,084	35,274
Total Expenditures	<u>6,776,582</u>	<u>6,956,939</u>	<u>6,886,343</u>	<u>70,596</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,145,127)</u>	<u>(890,127)</u>	<u>(1,118,423)</u>	<u>(228,296)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,100,000	935,000	1,213,296	278,296
Transfers Out		(90,000)	(140,000)	(50,000)
Total Other Financing Sources (Uses)	<u>1,100,000</u>	<u>845,000</u>	<u>1,073,296</u>	<u>228,296</u>
Net Change in Fund Balances	(45,127)	(45,127)	(45,127)	-
Fund Balance (Deficit), Beginning of Year	<u>45,127</u>	<u>45,127</u>	<u>45,127</u>	
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Low Income Housing Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,090,000	\$ 921,507	\$ 992,442	\$ 70,935
Intergovernmental			501,817	501,817
Interest	10,000	10,000	8,866	(1,134)
Total Revenues	<u>1,100,000</u>	<u>931,507</u>	<u>1,503,125</u>	<u>571,618</u>
EXPENDITURES				
Current:				
Economic Development	687,251	3,061,088	2,770,803	290,285
Capital Outlay			9,950	(9,950)
Debt Service				
Principal	35,000	35,000	35,000	-
Interest	377,749	377,749	377,749	-
Total Expenditures	<u>1,100,000</u>	<u>3,473,837</u>	<u>3,193,502</u>	<u>280,335</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(2,542,330)</u>	<u>(1,690,377)</u>	<u>851,953</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			267,669	267,669
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>267,669</u>	<u>267,669</u>
Net Change in Fund Balance	-	(2,542,330)	(1,422,708)	1,119,622
Fund Balance (Deficit), Beginning of Year	<u>9,352,042</u>	<u>9,352,042</u>	<u>9,352,042</u>	
Fund Balance (Deficit), End of Year	<u>\$ 9,352,042</u>	<u>\$ 6,809,712</u>	<u>\$ 7,929,334</u>	<u>\$ 1,119,622</u>

City of Desert Hot Springs
Notes to Required Supplementary Information
June 30, 2011

1. Budgetary Comparison

Budgetary comparison schedules are presented as required supplementary information for the General Fund and all Major Special Revenue Funds as required by GASB Statement No. 34. The budgetary comparison schedules for the RDA Capital Projects Fund, the RDA Debt Service Fund and the Capital Improvement Program Fund are presented as supplementary information, and are not a required part of the basic financial statements.

SUPPLEMENTARY INFORMATION

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Debt Service Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,980,000	\$ 4,131,050	\$ 3,969,769	\$ (161,281)
Interest	20,000	98,000	208,789	110,789
Miscellaneous			277,008	277,008
	<u>6,000,000</u>	<u>4,229,050</u>	<u>4,455,566</u>	<u>226,516</u>
EXPENDITURES				
Current:				
Economic Development	42,857	42,857	788,819	(745,962)
Debt Service:				
Principal	1,739,098	1,739,098	2,105,000	(365,902)
Interest	1,704,073	1,547,737	2,360,191	(812,454)
Pass-Through Agreements	3,513,972	900,859	975,846	(74,987)
	<u>7,000,000</u>	<u>4,230,551</u>	<u>6,229,856</u>	<u>(1,999,305)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,000,000)</u>	<u>(1,501)</u>	<u>(1,774,290)</u>	<u>(1,772,789)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			955,355	955,355
Transfers Out			<u>(10,006,581)</u>	<u>(10,006,581)</u>
	<u>-</u>	<u>-</u>	<u>(9,051,226)</u>	<u>(9,051,226)</u>
Net Change in Fund Balance	(1,000,000)	(1,501)	(10,825,516)	(10,824,015)
Fund Balance (Deficit), Beginning of Year	<u>10,769,154</u>	<u>10,769,154</u>	<u>10,769,154</u>	
Fund Balance (Deficit), End of Year	<u>\$ 9,769,154</u>	<u>\$ 10,767,653</u>	<u>\$ (56,362)</u>	<u>\$ (10,824,015)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Capital Projects Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 10,000	\$ 110,000	\$ 6,493	\$ (103,507)
Miscellaneous	90,000	90,000	135,204	45,204
Total Revenues	<u>100,000</u>	<u>200,000</u>	<u>141,697</u>	<u>(58,303)</u>
EXPENDITURES				
Current:				
Economic Development	300,000	2,603,060	2,637,929	(34,869)
Capital Outlay		<u>3,594,365</u>	<u>1,181,930</u>	<u>2,412,435</u>
Total Expenditures	<u>300,000</u>	<u>6,197,425</u>	<u>3,819,859</u>	<u>2,377,566</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(200,000)</u>	<u>(5,997,425)</u>	<u>(3,678,162)</u>	<u>2,319,263</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			10,006,581	10,006,581
Transfers Out			<u>(6,372,955)</u>	<u>(6,372,955)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,633,626</u>	<u>3,633,626</u>
Net Change in Fund Balance	(200,000)	(5,997,425)	(44,536)	5,952,889
Fund Balance (Deficit), Beginning of Year	<u>6,522,790</u>	<u>6,522,790</u>	<u>6,522,790</u>	
Fund Balance (Deficit), End of Year	<u>\$ 6,322,790</u>	<u>\$ 525,365</u>	<u>\$ 6,478,254</u>	<u>\$ 5,952,889</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Program Capital Projects Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$ 144,734	\$ 144,734
Miscellaneous	15,000,000	15,000,000		(15,000,000)
Total Revenues	15,000,000	15,000,000	144,734	(14,855,266)
EXPENDITURES				
Capital Outlay	15,000,000	15,000,000	2,408,148	12,591,852
Total Expenditures	15,000,000	15,000,000	2,408,148	12,591,852
Excess (Deficiency) of Revenues over Expenditures	-	-	(2,263,414)	(2,263,414)
OTHER FINANCING SOURCES (USES)				
Tranfers In			6,529,944	6,529,944
Total Other Financing Sources (Uses)	-	-	6,529,944	6,529,944
Net Change in Fund Balance	-	-	4,266,530	4,266,530
Fund Balance (Deficit), Beginning of Year	190,832	190,832	190,832	
Fund Balance (Deficit), End of Year	\$ 190,832	\$ 190,832	\$ 4,457,362	\$ 4,266,530

City of Desert Hot Springs Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Housing and Community Development Fund - The Housing and Community Development Fund accounts for Federal grants under the Emergency Jobs Act and Federal Community Development Entitlements.

Traffic Safety Fund - The Traffic Safety Fund accounts for resources specifically designated for traffic safety. Financing is provided by vehicle code fines. Expenditures are utilized for traffic safety purposes.

Source Reduction Recycling Fund - The Source Reduction Recycling Fund accounts for disposal fees collected and used for programs related to recycling program requirements by AB 939.

Special Gas Tax Fund - The Special Gas Tax Fund accounts for street maintenance activity. The source of funds is the State gasoline tax and related sales tax. Expenditures are restricted to construction, improvement and maintenance of public streets.

Capital Improvement Deposits Fund – The Capital Improvement Deposits Fund accounts for accumulated resources to be used to purchase the protection equipment and facilities, traffic signals, and parks. Financing is provided through a development fee on all new commercial and residential construction.

Municipal Lighting/Landscaping Assessment District Fund - The Municipal Lighting/Landscaping Assessment District Fund accounts for street lighting activity and landscaping maintenance. Financing is provided by assessments against all parcels of real property within the City and landscape assessment district. Expenditures provide for street and palm tree lights citywide, maintenance of park buildings and equipment, and maintenance of all city parkland as designated.

Measure A Fund - The Measure A Fund accounts for one-half cent sales tax collected in Riverside County and distributed to local agencies. Funds are restricted and can only be used for street maintenance and the construction of new streets.

Air Quality Control Fund - The Air Quality Control Fund accounts for resources designated by South Coast Air Quality Management District through the collection of motor vehicle registration fees. These funds can be used for equipment, street sweeping and purchase of vehicles as related to the reduction of air pollution.

Art in Public Places Fund - The Art in Public Places Fund accounts for development fees paid in lieu of acquisition and installation of approved artworks in a development with expenditures restricted to acquisition, installation, maintenance and repair or artworks at approved sites.

Quimby Act Fund – The Quimby Act Fund accounts for the accumulation of developer fees received under the provision of the Quimby Act for park development and improvements.

Drainage Assessment District Fund - The Drainage Assessment District Fund accounts for taxes assessed on property owners within the drainage assessment districts for the maintenance of drainage systems.

County Service Area 152 (CSA-152) - The County Service Area, also known as the County Assessment District Number (152); receives funding through the collection of property tax collected on parcels within the assessment district. Expenditures relate to the EPA requirements for storm water monitoring and the protection of the underground water for all cities in the County of Riverside.

**City of Desert Hot Springs
Non-Major Governmental Funds - Continued**

SPECIAL REVENUE FUNDS - Continued

Cabot's Museum Fund - The Cabot's Museum Fund accounts for various fees and operational costs associated with a museum that was gifted to the City.

Redevelopment Agency Help Program Fund - The Redevelopment Agency Help Program Fund accounts for the Coachella Valley Housing Coalition Self Help Housing Grants. The City provides grant funds to assist families to complete the financing of single family "self help" homes, should unforeseen costs be discovered.

Bicycle/Pedestrian Grant - The Bicycle Grant Fund accounts for a grant funded by the Riverside County Transportation Commission to offset costs for various infrastructure projects in the vicinity of the schools located in the City of Desert Hot Springs.

Indian Gaming Special District Grant - The Indian Gaming Grant Fund accounts for grant funds disbursed by the State Controller's Office. Funds are to be used for a new police vehicle and K-9 vehicle conversion kit.

SLESF - The Supplemental Law Enforcement Service Fund accounts for funds received in connection with the Citizens Option for Public Safety Program (COPS), which supplements expenditures for "front line municipal police services".

DEBT SERVICE FUNDS

City Debt Service - The City established a restricted fund to account for debt service payments on the City's Judgment Bonds and Certificate of Participation twice annually.

CAPITAL PROJECTS FUNDS

Assessment District 91-1 Fund - The Assessment District 91-1 Capital Project Fund accounts for improvements to Assessment District 91-1 and is financed from bond proceeds. Liabilities are paid from tax revenues.

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**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011**

	Special Revenue				
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	Capital Improvement Deposits
ASSETS					
Cash and Investments	\$	\$	\$ 11,040	\$	\$ 1,783,751
Restricted Cash and Investments with Fiscal Agent					
Notes Receivable					
Accounts Receivable		1,701			
Interest Receivable					1,484
Due From Other Governments	104,451			518,052	
	<u>104,451</u>	<u>1,701</u>	<u>11,040</u>	<u>518,052</u>	<u>1,785,235</u>
Total Assets	<u>\$ 104,451</u>	<u>\$ 1,701</u>	<u>\$ 11,040</u>	<u>\$ 518,052</u>	<u>\$ 1,785,235</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 102,257	\$	\$	\$ 54,244	\$
Accrued Liabilities		406		7,349	
Deposits					
Due to Other Funds	2,194			87,039	
Deferred Revenue				338,425	
	<u>104,451</u>	<u>406</u>	<u>-</u>	<u>487,057</u>	<u>-</u>
Total Liabilities	<u>104,451</u>	<u>406</u>	<u>-</u>	<u>487,057</u>	<u>-</u>
Fund Balances:					
Restricted		1,295	11,040	30,995	1,785,235
Assigned					
Unassigned					
	<u>-</u>	<u>1,295</u>	<u>11,040</u>	<u>30,995</u>	<u>1,785,235</u>
Total Fund Balances	<u>-</u>	<u>1,295</u>	<u>11,040</u>	<u>30,995</u>	<u>1,785,235</u>
Total Liabilities and Fund Balances	<u>\$ 104,451</u>	<u>\$ 1,701</u>	<u>\$ 11,040</u>	<u>\$ 518,052</u>	<u>\$ 1,785,235</u>

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
\$ 426,344	\$ 250,382	\$ 11,939	\$ 45,463	\$ 106,982	\$ 542,003
414 115,866	159 63,691	11	30	83	440 28,782
<u>\$ 542,624</u>	<u>\$ 314,232</u>	<u>\$ 11,950</u>	<u>\$ 45,493</u>	<u>\$ 107,065</u>	<u>\$ 571,225</u>
\$ 32,584 4,532					\$ 4,528
<u>52,747</u>					
<u>89,863</u>	-	-	-	-	4,528
452,761	314,232	11,950	45,493	107,065	566,697
<u>452,761</u>	<u>314,232</u>	<u>11,950</u>	<u>45,493</u>	<u>107,065</u>	<u>566,697</u>
<u>\$ 542,624</u>	<u>\$ 314,232</u>	<u>\$ 11,950</u>	<u>\$ 45,493</u>	<u>\$ 107,065</u>	<u>\$ 571,225</u>

Continued

**City of Desert Hot Springs
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2011**

	Special Revenue				
	County Service Area	Cabot's Museum	RDA Help Program	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
ASSETS					
Cash and Investments	\$	\$ 22,859	\$	\$ 3,091	\$ 6,088
Restricted Cash and Investments with Fiscal Agent					
Notes Receivable			730,267		
Accounts Receivable	29,100		21,725		
Interest Receivable					
Due From Other Governments					
Total Assets	<u>\$ 29,100</u>	<u>\$ 22,859</u>	<u>\$ 751,992</u>	<u>\$ 3,091</u>	<u>\$ 6,088</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$	\$ 9,299	\$	\$	\$
Accrued Liabilities					
Deposits					
Due to Other Funds	30,115		17,630		
Deferred Revenue			730,267		6,088
Total Liabilities	<u>30,115</u>	<u>9,299</u>	<u>747,897</u>	<u>-</u>	<u>6,088</u>
Fund Balances:					
Restricted		13,560	4,095	3,091	
Assigned					
Unassigned	(1,015)				
Total Fund Balances	<u>(1,015)</u>	<u>13,560</u>	<u>4,095</u>	<u>3,091</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 29,100</u>	<u>\$ 22,859</u>	<u>\$ 751,992</u>	<u>\$ 3,091</u>	<u>\$ 6,088</u>

<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor</u>
<u>SLESF</u>	<u>City Debt</u>	<u>Assessment</u>	<u>Governmental</u>
	<u>Service</u>	<u>District</u>	<u>Funds</u>
		<u>91-1</u>	
\$	\$ 660,063	\$ 51,342	\$ 3,921,347
	267,405	2,763	270,168
	87,126		730,267
	502	40	139,652
			3,163
			830,842
<u>\$ -</u>	<u>\$ 1,015,096</u>	<u>\$ 54,145</u>	<u>\$ 5,895,439</u>
\$	\$	\$	\$ 202,912
			12,287
			-
			136,978
			1,127,527
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,479,704</u>
	267,405	54,145	3,669,059
	747,691		747,691
			(1,015)
<u>-</u>	<u>1,015,096</u>	<u>54,145</u>	<u>4,415,735</u>
<u>\$ -</u>	<u>\$ 1,015,096</u>	<u>\$ 54,145</u>	<u>\$ 5,895,439</u>

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2011

	Special Revenue				
	Housing and Community Development	Traffic Safety	Source Reduction Recycling	Special Gas Tax	Capital Improvement Deposits
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees		20,174			510,364
Intergovernmental	113,358	13,698		997,590	
Interest				23	11,730
Miscellaneous					49,310
Total Revenues	<u>113,358</u>	<u>33,872</u>	<u>-</u>	<u>997,613</u>	<u>571,404</u>
EXPENDITURES					
Current:					
General Government					
Public Safety		16,536			
Public Works				995,864	
Economic Development	33,253				
Culture and Leisure					
Capital Outlay	104,451				10,729
Debt Service:					
Principal					
Interest					
Total Expenditures	<u>137,704</u>	<u>16,536</u>	<u>-</u>	<u>995,864</u>	<u>10,729</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(24,346)</u>	<u>17,336</u>	<u>-</u>	<u>1,749</u>	<u>560,675</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out					(1,380,013)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,380,013)</u>
Net Change in Fund Balances	<u>(24,346)</u>	<u>17,336</u>	<u>-</u>	<u>1,749</u>	<u>(819,338)</u>
Fund Balances (Deficit), Beginning of Year	<u>24,346</u>	<u>(16,041)</u>	<u>11,040</u>	<u>29,246</u>	<u>2,604,573</u>
Fund Balances (Deficit), End of Year	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ 11,040</u>	<u>\$ 30,995</u>	<u>\$ 1,785,235</u>

Special Revenue

Municipal Lighting/Landscaping Assessment District	Measure A	Air Quality Control	Art in Public Places	Quimby Act	Drainage Assessment District
\$ 845,013	\$	\$ 23,006	\$	\$ 154,992	\$ 194,078
2,081	300,041 528	71	696 44,471	83	2,208
<u>847,094</u>	<u>300,569</u>	<u>23,077</u>	<u>45,167</u>	<u>155,075</u>	<u>196,286</u>
864,000	600,837	26,639	-	-	137,847
<u>864,000</u>	<u>600,837</u>	<u>26,639</u>	<u>-</u>	<u>-</u>	<u>137,847</u>
(16,906)	(300,268)	(3,562)	45,167	155,075	58,439
-	-	(26,713)	-	-	-
(16,906)	(300,268)	(30,275)	45,167	155,075	58,439
469,667	614,500	42,225	326	(48,010)	508,258
<u>\$ 452,761</u>	<u>\$ 314,232</u>	<u>\$ 11,950</u>	<u>\$ 45,493</u>	<u>\$ 107,065</u>	<u>\$ 566,697</u>

Continued

City of Desert Hot Springs
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
June 30, 2011

	Special Revenue				
	County Service Area	Cabot's Museum	RDA Help Program	Bicycle/ Pedestrian Grant	Indian Gaming Special District Grant
REVENUES					
Taxes	\$	\$	\$	\$	\$
Permits and Fees					
Intergovernmental	29,101				77,691
Interest			6		
Miscellaneous			21,725		
Total Revenues	29,101	-	21,731	-	77,691
EXPENDITURES					
Current:					
General Government					
Public Safety					77,691
Public Works					
Economic Development	24,901		21,725		
Culture and Leisure		108,898			
Capital Outlay					
Debt Service:					
Principal					
Interest					
Total Expenditures	24,901	108,898	21,725	-	77,691
Excess (Deficiency) of Revenues over Expenditures	4,200	(108,898)	6	-	-
OTHER FINANCING SOURCES (USES)					
Transfers In		100,000			
Transfers Out					
Total Other Financing Sources (Uses)	-	100,000	-	-	-
Net Change in Fund Balances	4,200	(8,898)	6	-	-
Fund Balances (Deficit), Beginning of Year	(5,215)	22,458	4,089	3,091	-
Fund Balances (Deficit), End of Year	<u>\$ (1,015)</u>	<u>\$ 13,560</u>	<u>\$ 4,095</u>	<u>\$ 3,091</u>	<u>\$ -</u>

<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor</u>
<u>SLESF</u>	<u>City Debt</u>	<u>Assessment</u>	<u>Governmental</u>
	<u>Service</u>	<u>District</u>	<u>Funds</u>
		<u>91-1</u>	
\$	\$ 904,634	\$	\$ 1,966,731
			685,530
100,000			1,631,479
243	3,150	223	21,042
			115,506
<u>100,243</u>	<u>907,784</u>	<u>223</u>	<u>4,420,288</u>
			26,639
100,243	134,334		328,804
			1,997,711
			79,879
			108,898
			716,017
	145,000		145,000
	596,550		596,550
<u>100,243</u>	<u>875,884</u>	<u>-</u>	<u>3,999,498</u>
<u>-</u>	<u>31,900</u>	<u>223</u>	<u>420,790</u>
	(100,000)		100,000
			(1,506,726)
<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(1,406,726)</u>
-	(68,100)	223	(985,936)
	1,083,196	53,922	5,401,671
<u>\$ -</u>	<u>\$ 1,015,096</u>	<u>\$ 54,145</u>	<u>\$ 4,415,735</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Housing and Community Development Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 113,358	\$ (11,642)
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>113,358</u>	<u>(11,642)</u>
EXPENDITURES				
Current:				
Economic Development	25,000	25,000	33,253	(8,253)
Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u>104,451</u>	<u>(4,451)</u>
Total Expenditures	<u>125,000</u>	<u>125,000</u>	<u>137,704</u>	<u>(12,704)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(24,346)	(24,346)
Fund Balance (Deficit), Beginning of Year	<u>24,346</u>	<u>24,346</u>	<u>24,346</u>	
Fund Balance (Deficit), End of Year	<u>\$ 24,346</u>	<u>\$ 24,346</u>	<u>\$ -</u>	<u>\$ (24,346)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Safety Special Revenue Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Permits and Fees	\$ 45,000	\$ 45,000	\$ 20,174	\$ (24,826)
Intergovernmental			13,698	13,698
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>33,872</u>	<u>(11,128)</u>
EXPENDITURES				
Current:				
Public Safety	<u>45,000</u>	<u>45,000</u>	<u>16,536</u>	<u>28,464</u>
Total Expenditures	<u>45,000</u>	<u>45,000</u>	<u>16,536</u>	<u>28,464</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	17,336	17,336
Fund Balance (Deficit), Beginning of Year	<u>(16,041)</u>	<u>(16,041)</u>	<u>(16,041)</u>	
Fund Balance (Deficit), End of Year	<u>\$ (16,041)</u>	<u>\$ (16,041)</u>	<u>\$ 1,295</u>	<u>\$ 17,336</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Special Gas Tax Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 600,000	\$ 600,000	\$ 997,590	\$ 397,590
Interest			23	23
Total Revenues	<u>600,000</u>	<u>600,000</u>	<u>997,613</u>	<u>397,613</u>
EXPENDITURES				
Current:				
Public Works	<u>600,000</u>	<u>950,000</u>	<u>995,864</u>	<u>(45,864)</u>
Total Expenditures	<u>600,000</u>	<u>950,000</u>	<u>995,864</u>	<u>(45,864)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(350,000)</u>	<u>1,749</u>	<u>351,749</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(350,000)	1,749	351,749
Fund Balance (Deficit), Beginning of Year	<u>29,246</u>	<u>29,246</u>	<u>29,246</u>	
Fund Balance (Deficit), End of Year	<u>\$ 29,246</u>	<u>\$ (320,754)</u>	<u>\$ 30,995</u>	<u>\$ 351,749</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Improvement Deposits Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Permits and Fees	\$	\$	\$ 510,364	\$ 510,364
Interest			11,730	11,730
Miscellaneous			49,310	49,310
Total Revenues	-	-	571,404	571,404
EXPENDITURES				
Current:				
General Government				-
Capital Outlay			10,729	(10,729)
Total Expenditures	-	-	10,729	(10,729)
Excess (Deficiency) of Revenues over Expenditures	-	-	560,675	560,675
OTHER FINANCING SOURCES (USES)				
Transfers Out			(1,380,013)	(1,380,013)
Total Other Financing Sources (Uses)	-	-	(1,380,013)	(1,380,013)
Net Change in Fund Balances	-	-	(819,338)	(819,338)
Fund Balances (Deficit), Beginning of Year	2,604,573	2,604,573	2,604,573	
Fund Balances (Deficit), End of Year	\$ 2,604,573	\$ 2,604,573	\$ 1,785,235	\$ (819,338)

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Municipal Lighting/Landscaping Assessment District
Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 690,411	\$ 799,857	\$ 845,013	\$ 45,156
Interest			2,081	2,081
Total Revenues	<u>690,411</u>	<u>799,857</u>	<u>847,094</u>	<u>47,237</u>
EXPENDITURES				
Current:				
Public Works	<u>650,592</u>	<u>722,254</u>	<u>864,000</u>	<u>(141,746)</u>
Total Expenditures	<u>650,592</u>	<u>722,254</u>	<u>864,000</u>	<u>(141,746)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>39,819</u>	<u>77,603</u>	<u>(16,906)</u>	<u>(94,509)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	39,819	77,603	(16,906)	(94,509)
Fund Balance (Deficit), Beginning of Year	<u>469,667</u>	<u>469,667</u>	<u>469,667</u>	
Fund Balance (Deficit), End of Year	<u>\$ 509,486</u>	<u>\$ 547,270</u>	<u>\$ 452,761</u>	<u>\$ (94,509)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure A Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernment	\$ 200,000	\$ 200,000	\$ 300,041	\$ 100,041
Interest			528	528
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>300,569</u>	<u>100,569</u>
EXPENDITURES				
Current:				
General Government				-
Capital Outlay	<u>200,000</u>	<u>200,000</u>	<u>600,837</u>	<u>(400,837)</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>600,837</u>	<u>(400,837)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(300,268)</u>	<u>(300,268)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	(300,268)	(300,268)
Fund Balance (Deficit), Beginning of Year	<u>614,500</u>	<u>614,500</u>	<u>614,500</u>	
Fund Balance (Deficit), End of Year	<u>\$ 614,500</u>	<u>\$ 614,500</u>	<u>\$ 314,232</u>	<u>\$ (300,268)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Air Quality Control Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 30,000	\$ 30,000	\$ 23,006	\$ (6,994)
Interest			71	71
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>23,077</u>	<u>(6,923)</u>
EXPENDITURES				
Current:				
General Government	<u>30,000</u>	<u>30,000</u>	<u>26,639</u>	<u>3,361</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>26,639</u>	<u>3,361</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(3,562)</u>	<u>(3,562)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out			<u>(26,713)</u>	<u>(26,713)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(26,713)</u>	<u>(26,713)</u>
Net Change in Fund Balance	-	-	(30,275)	(30,275)
Fund Balance (Deficit), Beginning of Year	<u>42,225</u>	<u>42,225</u>	<u>42,225</u>	
Fund Balance (Deficit), End of Year	<u>\$ 42,225</u>	<u>\$ 42,225</u>	<u>\$ 11,950</u>	<u>\$ (30,275)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Art in Public Places Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$	\$ 696	\$ 696
Miscellaneous			44,471	44,471
Total Revenues	-	-	45,167	45,167
EXPENDITURES				
Capital Outlay				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	45,167	45,167
Fund Balance (Deficit), Beginning of Year	326	326	326	
Fund Balance (Deficit), End of Year	\$ 326	\$ 326	\$ 45,493	\$ 45,167

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Quimby Act Special Revenue Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Permits and Fees	\$	\$	\$ 154,992	\$ 154,992
Interest			83	83
Total Revenues	<u>-</u>	<u>-</u>	<u>155,075</u>	<u>155,075</u>
EXPENDITURES				
Capital Outlay				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	155,075	155,075
Fund Balance (Deficit), Beginning of Year	<u>(48,010)</u>	<u>(48,010)</u>	<u>(48,010)</u>	
Fund Balance (Deficit), End of Year	<u><u>\$ (48,010)</u></u>	<u><u>\$ (48,010)</u></u>	<u><u>\$ 107,065</u></u>	<u><u>\$ 155,075</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Drainage Assessment District Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 125,550	\$ 197,711	\$ 194,078	\$ (3,633)
Interest	120	120	2,208	2,088
Total Revenues	<u>125,670</u>	<u>197,831</u>	<u>196,286</u>	<u>(1,545)</u>
EXPENDITURES				
Current:				
General Government	<u>125,670</u>	<u>197,711</u>	<u>137,847</u>	<u>59,864</u>
Total Expenditures	<u>125,670</u>	<u>197,711</u>	<u>137,847</u>	<u>59,864</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>120</u>	<u>58,439</u>	<u>58,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers In				<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	120	58,439	58,319
Fund Balances (Deficit), Beginning of Year	<u>508,258</u>	<u>508,258</u>	<u>508,258</u>	
Fund Balances (Deficit), End of Year	<u>\$ 508,258</u>	<u>\$ 508,378</u>	<u>\$ 566,697</u>	<u>\$ 58,319</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - County Service Area Special Revenue Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 29,101	\$ (10,899)
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>29,101</u>	<u>(10,899)</u>
EXPENDITURES				
Current:				
General Government	<u>40,000</u>	<u>40,000</u>	<u>24,901</u>	<u>15,099</u>
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>24,901</u>	<u>15,099</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	4,200	4,200
Fund Balance (Deficit), Beginning of Year	<u>(5,215)</u>	<u>(5,215)</u>	<u>(5,215)</u>	
Fund Balance (Deficit), End of Year	<u><u>\$ (5,215)</u></u>	<u><u>\$ (5,215)</u></u>	<u><u>\$ (1,015)</u></u>	<u><u>\$ 4,200</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Cabot's Museum Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$	\$	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Current:				
Culture and Leisure	100,000	100,000	108,898	(8,898)
Total Expenditures	100,000	100,000	108,898	(8,898)
Excess (Deficiency) of Revenues over Expenditures	(100,000)	(100,000)	(108,898)	(8,898)
OTHER FINANCING SOURCES (USES)				
Transfers In			100,000	100,000
Total Other Financing Sources (Uses)	-	-	100,000	100,000
Net Change in Fund Balances	(100,000)	(100,000)	(8,898)	91,102
Fund Balance (Deficit), Beginning of Year	22,458	22,458	22,458	
Fund Balance (Deficit), End of Year	\$ (77,542)	\$ (77,542)	\$ 13,560	\$ 91,102

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - RDA Help Program Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$	\$ 6	\$ 6
Miscellaneous			21,725	21,725
Total Revenues	-	-	21,731	21,731
EXPENDITURES				
Current:				
Economic Development			21,725	(21,725)
Debt Service:				
Interest & Fiscal Charges				-
Total Expenditures	-	-	21,725	(21,725)
Excess (Deficiency) of Revenues over Expenditures	-	-	6	6
Fund Balance (Deficit), Beginning of Year	4,089	4,089	4,089	
Fund Balance (Deficit), End of Year	\$ 4,089	\$ 4,089	\$ 4,095	\$ 6

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Indian Gaming Special District Grant Special Revenue Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$	\$	\$ 77,691	\$ 77,691
Interest				-
Total Revenues	-	-	77,691	77,691
EXPENDITURES				
Current:				
Public Safety			77,691	(77,691)
Total Expenditures	-	-	77,691	(77,691)
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balance (Deficit), Beginning of Year	-	-	-	-
Fund Balance (Deficit), End of Year	\$ -	\$ -	\$ -	\$ -

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - SLESF Special Revenue Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest			243	243
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>100,243</u>	<u>243</u>
EXPENDITURES				
Current:				
Public Safety			100,243	(100,243)
Total Expenditures	<u>-</u>	<u>-</u>	<u>100,243</u>	<u>(100,243)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out				-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	100,000	100,000	-	(100,000)
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ 100,000</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (100,000)</u></u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - City Debt Service Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,070,000	\$ 1,070,000	\$ 904,634	\$ (165,366)
Interest	7,500	7,500	3,150	(4,350)
Total Revenues	<u>1,077,500</u>	<u>1,077,500</u>	<u>907,784</u>	<u>(169,716)</u>
EXPENDITURES				
Current:				
Economic Development	235,174	235,174	134,334	100,840
Debt Service:				
Principal	140,000	140,000	145,000	(5,000)
Interest and Fiscal Charges	602,326	602,326	596,550	5,776
Total Expenditures	<u>977,500</u>	<u>977,500</u>	<u>875,884</u>	<u>101,616</u>
Excess (Deficiency) of Revenues over Expenditures	<u>100,000</u>	<u>100,000</u>	<u>31,900</u>	<u>(68,100)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out			(100,000)	(100,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balances	100,000	100,000	(68,100)	(168,100)
Fund Balance (Deficit), Beginning of Year	<u>1,083,196</u>	<u>1,083,196</u>	<u>1,083,196</u>	
Fund Balance (Deficit), End of Year	<u>\$ 1,183,196</u>	<u>\$ 1,183,196</u>	<u>\$ 1,015,096</u>	<u>\$ (168,100)</u>

City of Desert Hot Springs
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Assessment District 91-1 Capital Project Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$	\$ 223	\$ 223
Total Revenues	-	-	223	223
EXPENDITURES				
Current:				
General Government				-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	223	223
Fund Balance (Deficit), Beginning of Year	53,922	53,922	53,922	
Fund Balance (Deficit), End of Year	\$ 53,922	\$ 53,922	\$ 54,145	\$ 223

City of Desert Hot Springs Internal Service Funds

Risk Management - The Risk Management Fund accounts for payment of the City's different types of insurance for liability, workers' compensation, property, and earthquake coverage.

Equipment Replacement - The Equipment Replacement Fund accounts for capital asset purchases.

City of Desert Hot Springs
Combining Statement of Net Assets
Proprietary Funds
June 30, 2011

	Risk Management	Equipment Replacement	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 617,653	\$ 139,909	\$ 757,562
Accounts Receivable			-
Interest Receivable	396		396
Due From Other Funds			-
Deposits			-
Prepaid Insurance			-
Total Current Assets	618,049	139,909	757,958
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment		1,242,979	1,242,979
Less accumulated depreciation		(483,579)	(483,579)
Total capital assets (net of accumulated depreciation)	-	759,400	759,400
Total Noncurrent Assets	-	759,400	759,400
Total Assets	618,049	899,309	1,517,358
LIABILITIES			
Accounts Payable	6,020		6,020
Due to Other Funds			-
Claims Payable	1,213,847		1,213,847
Total Liabilities	1,219,867	-	1,219,867
NET ASSETS			
Unrestricted	(601,818)	899,309	297,491
Total Net Assets	\$ (601,818)	\$ 899,309	\$ 297,491

City of Desert Hot Springs
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

	<u>Risk Management</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Other Income	<u>\$ 669,097</u>	<u>\$ 61,717</u>	<u>\$ 730,814</u>
Total Operating Revenues	<u>669,097</u>	<u>61,717</u>	<u>730,814</u>
OPERATING EXPENSES			
Insurance and Claims Expenses	<u>1,633,880</u>		<u>1,633,880</u>
Depreciation		<u>284,320</u>	<u>284,320</u>
Total Operating Expenses	<u>1,633,880</u>	<u>284,320</u>	<u>1,918,200</u>
Operating Income (Loss)	<u>(964,783)</u>	<u>(222,603)</u>	<u>(1,187,386)</u>
NON-OPERATING REVENUE (EXPENSES)			
Investment Earnings	<u>2,552</u>	<u>15</u>	<u>2,567</u>
Gain on Sale of Capital Assets		<u>15,000</u>	<u>15,000</u>
Total Non-operating revenues (expenses)	<u>2,552</u>	<u>15,015</u>	<u>17,567</u>
Income (Loss) before contributions and transfers	<u>(962,231)</u>	<u>(207,588)</u>	<u>(1,169,819)</u>
Transfers In		<u>166,713</u>	<u>166,713</u>
Change in Net Assets	<u>(962,231)</u>	<u>(40,875)</u>	<u>(1,003,106)</u>
Total Net Assets, Beginning of Year	<u>360,413</u>	<u>940,184</u>	<u>1,300,597</u>
Total Net Assets, End of Year	<u><u>\$ (601,818)</u></u>	<u><u>\$ 899,309</u></u>	<u><u>\$ 297,491</u></u>

City of Desert Hot Springs
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Risk Management	Equipment Replacement	Total
Cash Flows from Operating Activities			
Payments to Suppliers for Services	\$ (973,836)	\$	\$ (973,836)
Other Income	669,097	61,717	730,814
	<u>(304,739)</u>	<u>61,717</u>	<u>(243,022)</u>
Net Cash Provided (Used) by Operating Activities			
Cash Flows from Non-Capital Financing Activities			
Advance from(to) other funds			-
Cash Paid (to) from other funds	7,494	(7,494)	-
Transfers from other funds		166,713	166,713
	<u>7,494</u>	<u>159,219</u>	<u>166,713</u>
Net Cash Provided (Used) by Non-Capital Financing Activities			
Cash Flows from Capital And Related Financing Activities			
Proceeds from Sales of Capital Assets		15,000	15,000
Purchases of Capital Assets		(96,042)	(96,042)
	<u>-</u>	<u>(81,042)</u>	<u>(81,042)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities			
Cash Flows from Investing Activities			
Interest Received	2,724	15	2,739
	<u>2,724</u>	<u>15</u>	<u>2,739</u>
Net Cash Provided (Used) by Investing Activities			
	<u>(294,521)</u>	<u>139,909</u>	<u>(154,612)</u>
Net Increase (Decrease) in Cash and Investments			
Cash and Investments, Beginning of Year	912,174	-	912,174
Cash and Investments, End of Year	<u>\$ 617,653</u>	<u>\$ 139,909</u>	<u>\$ 757,562</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Cash Flows from Operating Activities			
Operating income (loss)	\$ (964,783)	\$ (222,603)	\$ (1,187,386)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation Expense		284,320	284,320
(Increase) Decrease in Accounts Receivable			-
(Increase) Decrease in Deposits	241,088		241,088
(Increase) Decrease in Prepaids			-
Increase (Decrease) in Accounts Payable	6,020		6,020
Increase (Decrease) in Claims Payable	412,936		412,936
	<u>\$ (304,739)</u>	<u>\$ 61,717</u>	<u>\$ (243,022)</u>
Net Cash Provided (Used) By Operating Activities			

City of Desert Hot Springs

Agency Funds

Community Services - The Community Services Fund accounts for donations received for various community programs. The monies are held in a bank account until used for the designated purpose.

Assessment District 91-1 - Two Bunch Palms Trail - The Assessment District 91-1 Debt Service Fund accounts for payments of principal and interest for Assessment District 91-1 municipal bonds.

Assessment District 92-1 - The Assessment District 92-1 Debt Service Fund accounts for payments of principal and interest for Assessment District municipal bonds.

Assessment District 93-2 - The Assessment District 93-2 Debt Service Fund accounts for payments of principal and interest for Assessment District municipal bonds.

Community Facilities District Skyborne – The Community Facilities District Skyborne Debt Service Fund accounts for payments of principal and interest for Community Facilities District municipal bonds.

**City of Desert Hot Springs
Combining Statement of Net Assets
Agency Funds
June 30, 2011**

	City Agency Fund Community Services	Assessment District 91-1	Assessment District 92-1	Assessment District 93-2	Community Facilities District Skyborne	Total Agency Funds
ASSETS						
Cash and Investments	\$ 12,622	\$ 43,272	\$ 59,352	\$ 62,314	\$ 266,683	\$ 444,243
Cash with Fiscal Agent		48,301	155,486	180,585	186,240	570,612
Accounts Receivable		3,644	4,751	4,088	14,037	26,520
Interest Receivable		25	32	35	159	251
Total Assets	\$ 12,622	\$ 95,242	\$ 219,621	\$ 247,022	\$ 467,119	\$ 1,041,626
LIABILITIES						
Accounts Payable	\$	\$ 510	\$	\$	\$ 2,665	\$ 3,175
Accrued Liabilities	1,939			1,020		2,959
Deposits Payable	10,683					10,683
Due to Bondholders		94,732	219,621	246,002	464,454	1,024,809
Total Liabilities	\$ 12,622	\$ 95,242	\$ 219,621	\$ 247,022	\$ 467,119	\$ 1,041,626

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2011

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>COMMUNITY SERVICES</u>				
ASSETS				
Cash and Investments	\$ 132,288	\$ 107,329	\$ 226,995	\$ 12,622
Accounts Receivable				-
Total Assets	<u>\$ 132,288</u>	<u>\$ 107,329</u>	<u>\$ 226,995</u>	<u>\$ 12,622</u>
LIABILITIES				
Accounts Payable	\$	\$	\$	\$
Accrued Liabilities	54,787	16,489	69,337	1,939
Deposits Payable	77,501	13,869	80,687	10,683
Total Liabilities	<u>\$ 132,288</u>	<u>\$ 30,358</u>	<u>150,024</u>	<u>\$ 12,622</u>
<u>ASSESSMENT DISTRICT 91-1</u>				
ASSETS				
Cash and Investments	\$ 26,027	\$ 55,169	\$ 37,924	\$ 43,272
Cash with Fiscal Agent	55,709	35,105	42,513	48,301
Accounts Receivable	1,455	3,644	1,455	3,644
Interest Receivable	20	25	20	25
Total Assets	<u>\$ 83,211</u>	<u>\$ 93,943</u>	<u>\$ 81,912</u>	<u>\$ 95,242</u>
LIABILITIES				
Accounts Payable	\$ 500	\$ 5,745	\$ 5,735	\$ 510
Due to Bondholders	82,711	57,363	45,342	94,732
Total Liabilities	<u>\$ 83,211</u>	<u>63,108</u>	<u>\$ 51,077</u>	<u>\$ 95,242</u>
<u>ASSESSMENT DISTRICT 92-1</u>				
ASSETS				
Cash and Investments	\$ 40,359	\$ 83,228	\$ 64,235	\$ 59,352
Cash with Fiscal Agent	113,448	157,406	115,368	155,486
Accounts Receivable	1,966	4,810	2,025	4,751
Interest Receivable	29	32	29	32
Total Assets	<u>\$ 155,802</u>	<u>\$ 245,476</u>	<u>\$ 181,657</u>	<u>\$ 219,621</u>
LIABILITIES				
Accounts Payable	\$ 500	\$ 11,942	\$ 12,442	\$ -
Due to Bondholders	155,302	187,367	123,048	219,621
Total Liabilities	<u>\$ 155,802</u>	<u>\$ 199,309</u>	<u>\$ 135,490</u>	<u>\$ 219,621</u>

Continued

City of Desert Hot Springs
Combining Statement of Changes in Assets and Liabilities - Continued
Agency Funds
Year Ended June 30, 2011

	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
<u>ASSESSMENT DISTRICT 93-2</u>				
ASSETS				
Cash and Investments	\$ 39,896	\$ 84,479	\$ 62,061	\$ 62,314
Cash with Fiscal Agent	145,590	69,745	34,750	180,585
Accounts Receivable	1,706	4,138	1,756	4,088
Interest Receivable	29	35	29	35
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 187,221</u>	<u>\$ 158,397</u>	<u>\$ 98,596</u>	<u>\$ 247,022</u>
LIABILITIES				
Accrued Liabilities	\$ 500	\$ 9,672	\$ 9,152	\$ 1,020
Due to Bondholders	186,721	100,695	41,414	246,002
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 187,221</u>	<u>\$ 110,367</u>	<u>\$ 50,566</u>	<u>\$ 247,022</u>
<u>COMMUNITY FACILITIES DISTRICT - SKYBORNE</u>				
ASSETS				
Cash and Investments	\$ 440,059	\$ 1,048,511	\$ 1,221,887	\$ 266,683
Cash with Fiscal Agent	200,119	2,754,737	2,768,616	186,240
Accounts Receivable	1,104	14,037	1,104	14,037
Interest Receivable	521	679	1,041	159
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 641,803</u>	<u>\$ 3,817,964</u>	<u>\$ 3,992,648</u>	<u>\$ 467,119</u>
LIABILITIES				
Accounts Payable	\$ 2,000	\$ 10,855	\$ 10,190	\$ 2,665
Deposits Payable	217,988		217,988	-
Due to Bondholders	421,815	3,104,477	3,061,838	464,454
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 641,803</u>	<u>\$ 3,115,332</u>	<u>\$ 3,290,016</u>	<u>\$ 467,119</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Investments	\$ 678,629	\$ 1,378,716	\$ 1,613,102	\$ 444,243
Cash with Fiscal Agent	514,866	3,016,993	2,961,247	570,612
Accounts Receivable	6,231	26,629	6,340	26,520
Interest Receivable	599	771	1,119	251
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,200,325</u>	<u>\$ 4,423,109</u>	<u>\$ 4,581,808</u>	<u>\$ 1,041,626</u>
LIABILITIES				
Accounts Payable	\$ 3,000	\$ 28,542	\$ 28,367	\$ 3,175
Accrued Liabilities	55,287	26,161	78,489	2,959
Deposits Payable	295,489	13,869	298,675	10,683
Due to Bondholders	846,549	3,449,902	3,271,642	1,024,809
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 1,200,325</u>	<u>\$ 3,518,474</u>	<u>\$ 3,677,173</u>	<u>\$ 1,041,626</u>